



207 Waiver

Title

Legal Description

Policy or Appeals

Correspondence Between Legal & Staff

Letter of Authorization

Pre-application No.: 657-PA-2018
Project Name: _____

AFFIDAVIT OF AUTHORITY TO ACT FOR PROPERTY OWNER

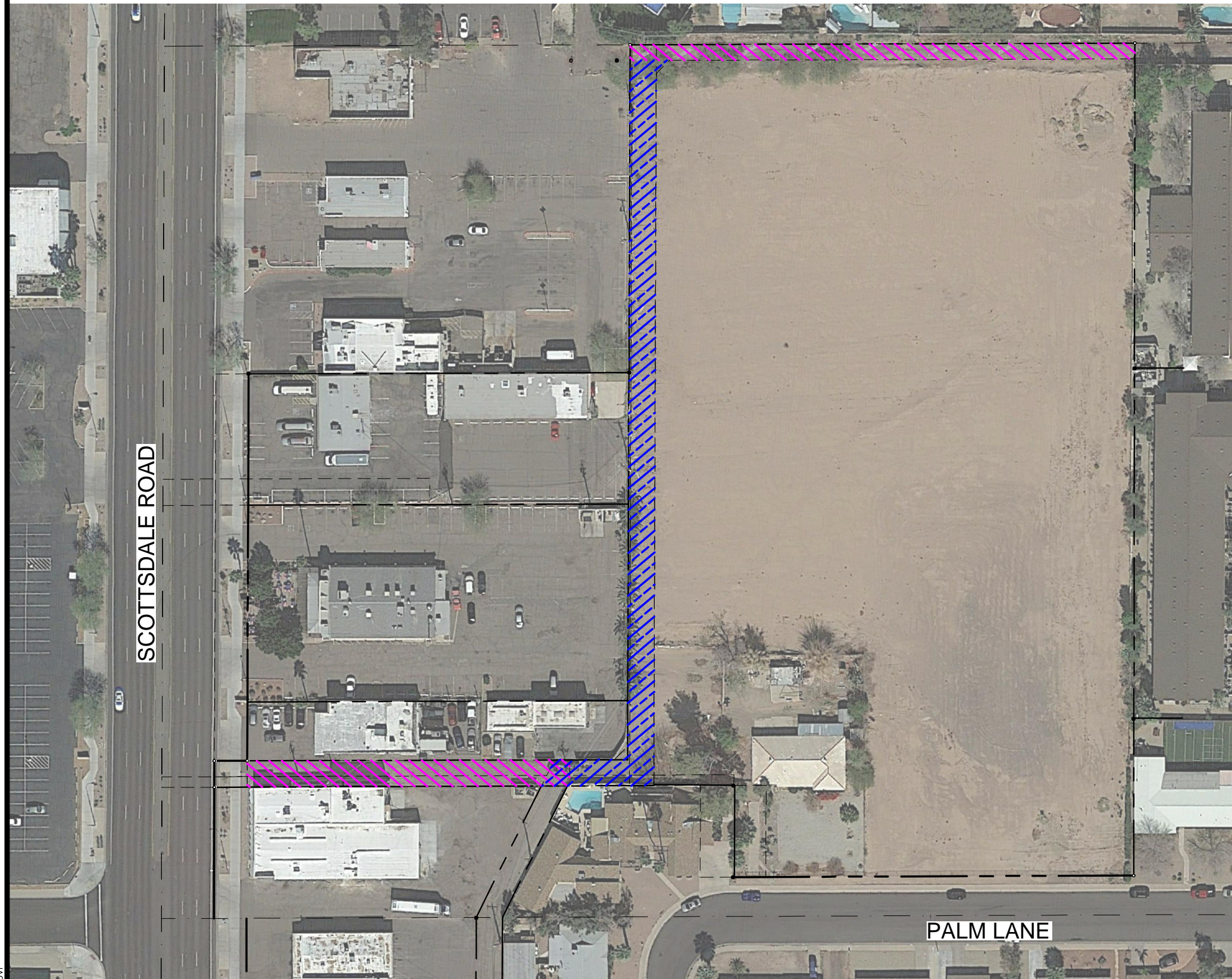
1. This affidavit concerns the following parcel of land:
 - a. Street Address: 7242 E. PAUL LANE 2003+
 - b. County Tax Assessor's Parcel Number: 131-19-002 U, V, L, K
 - c. General Location: SOUTH SCOTTSDALE
 - d. Parcel Size: 7.02 ACRES TOTAL
 - e. Legal Description: _____
(If the land is a platted lot, then write the lot number, subdivision, name, and the plat's recording number and date. Otherwise, write "see attached legal description" and attach a legal description.)
2. I am the owner of the land or I am the duly and lawfully appointed agent of the owner of the land and have authority from the owner to sign this affidavit on the owner's behalf. If the land has more than one owner, then I am the agent for all of the owners, and the word "owner" in this affidavit refers to all of them.
3. I have authority from the owner to act for the owner before the City of Scottsdale with regard to any and all reviews, zoning map amendments, general plan amendments, development variances, abandonments, plats, lot splits, lot ties, use permits, building permits and other land use regulatory or related matters of every description involving the land, or involving adjacent or nearby lands in which the owner has (or may acquire) an interest and all applications, dedications, payments, assurances, decisions, agreements, legal documents, commitments, waivers and other matters relating to any of them.
4. The City of Scottsdale is authorized to rely on my authority as described in this affidavit until three work days after the day the owner delivers to the general manager of the Scottsdale Planning and Development Services Department a written statement revoking my authority.
5. I will immediately deliver to the general manager of the City of Scottsdale Planning and Development Services Department written notice of any change in the ownership of the land or in my authority to act for the owner.
6. If more than one person signs this affidavit, each of them, acting alone, shall have the authority described in this affidavit, and each of them warrant to the City of Scottsdale the authority of the others.
7. Under penalty of perjury, I warrant and represent to the City of Scottsdale that this affidavit is true and complete. I understand that any error or incomplete information in this affidavit or any applications may invalidate approvals or other actions taken by the City of Scottsdale, may otherwise delay or prevent development of the land and may expose me or the owner to other liability. I understand that people who have not signed this form may be prohibited from speaking for the owner at public meetings or in other city processes.

Name (printed)
Ryan Hatterley

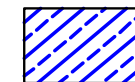
Date 8/30/ 2018

Signature [Signature]

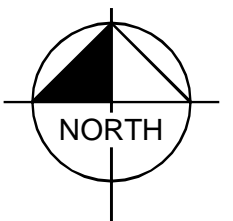
K:\PHX_Civil\096253016 - TCR Scottsdale & Palm\CADD\Exhibits\2018-10-10 Alley Exhibit (Aerial).dwg Oct 15, 2018 Garrett.Frame
XREFS: x253016vf



EXISTING PERMANENT
ROADWAY EASEMENT
TO REMAIN



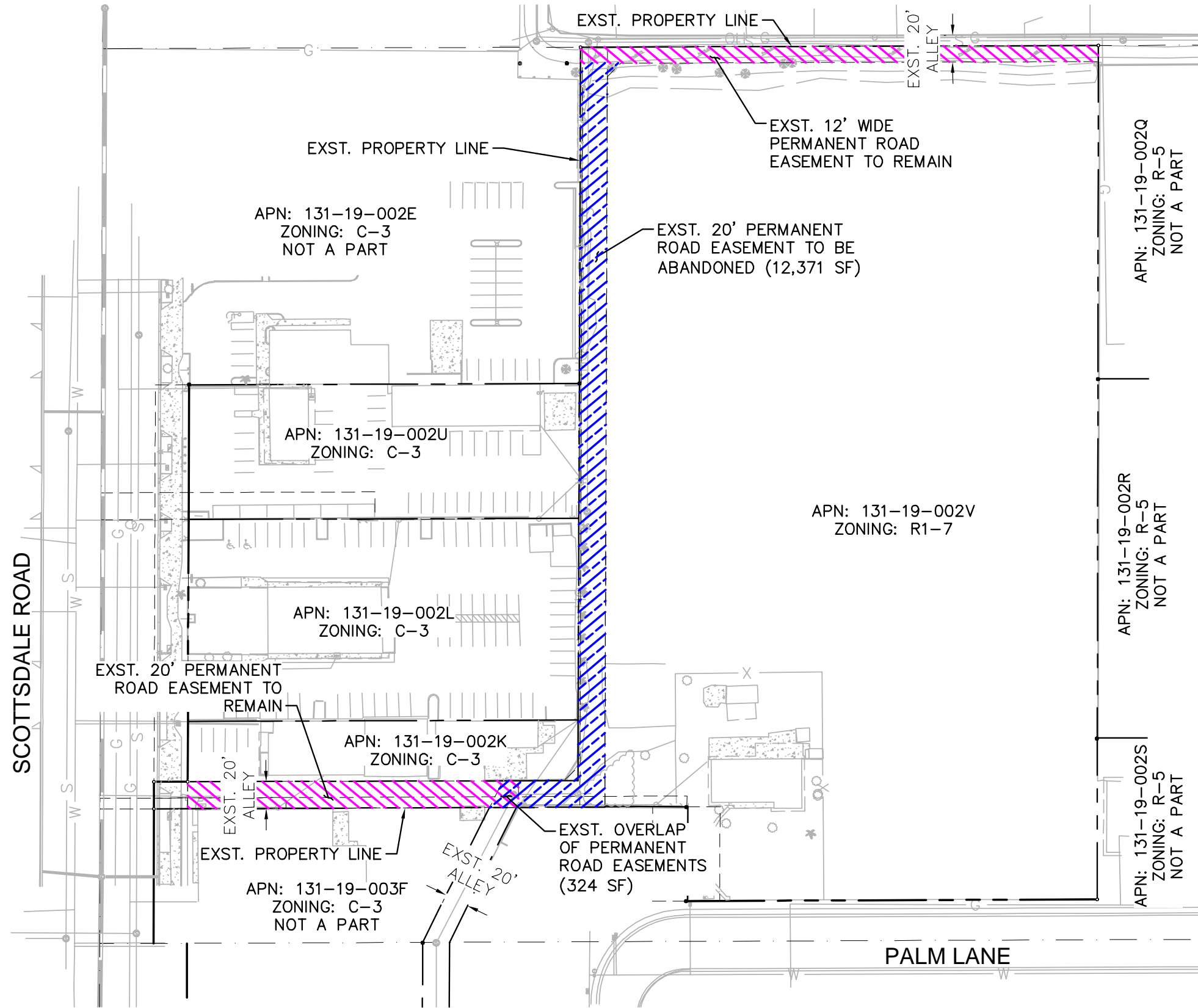
EXISTING PERMANENT
ROADWAY EASEMENT TO BE
ABANDONED, 12,371 SF
(INCLUDES 324 SF OVERLAP)


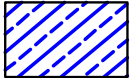


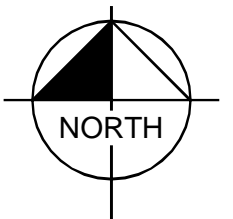
ALLEY ABANDONMENT EXHIBIT



K:\PHX_Civil\096253016 - TOR Scottsdale & Palm\CADD\Exhibits\2018-10-10 Alley Exhibit.dwg Oct 15, 2018 Garrett.Frame
XREFS: x253016vf



-  EXISTING PERMANENT ROADWAY EASEMENT TO REMAIN
-  EXISTING PERMANENT ROADWAY EASEMENT TO BE ABANDONED, 12,371 SF (INCLUDES 324 SF OVERLAP)



ALLEY ABANDONMENT EXHIBIT



**A NARRATIVE APPRAISAL REPORT
OF AN ABANDONMENT OF PUBLIC REAL PROPERTY RIGHTS
SAID PROPERTY RIGHTS BEING THE FEE SIMPLE RIGHTS IN THE ALLEY
ALONG THE SOUTH SIDE OF APN 131-19-002X
AND ALONG THE WEST SIDE OF APN 131-190-002V
CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA 85251**

Prepared for and Authorized by

Mr. John Berry, Esq.
Berry Riddell, LLC
6750 East Camelback Road, Suite 100
Scottsdale, AZ 85251

Effective Date of Valuation

September 18, 2018

Date of Inspection

September 18, 2018

Date of Report

September 26, 2018

Prepared by

Roger L. Dunlap, MAI
Roger L. Dunlap & Associates, LTD.
9401 East Diamond Rim Drive
Scottsdale, Arizona 85255-9123

RLD File: 18075D

Client File: Alexan Scottsdale

Roger L. Dunlap & Associates, LTD.

RLD

Roger L. Dunlap & Associates, LTD.

Appraisals • Consulting • Litigation Support

September 26, 2018

Mr. John Berry, Esq.
Berry Riddel, LLC
6750 East Camelback Road, Suite 100
Scottsdale, AZ 85251

**Subject: A Narrative Appraisal of an Abandonment of Public
Property Rights, Said Property Rights Being the
Fee Simple Rights in the Alley along the South Side
of APN 131-19-002X And along the West Side of
APN 131-190-002V, City of Scottsdale, Maricopa
County, Arizona 85251**

Dear Mr. Berry:

Please find attached a copy of my narrative appraisal report, containing 79 pages, wherein I provide an opinion of the hypothetical "as if vacant" value of the subject property (the adjacent property, to which the property rights will be abandoned) in the fee simple estate. The value of the alley to be abandoned was opined to using the "across-the-fence" method of value, taking into account the limited market for the right of way by itself, were it to be offered for sale on the open market, and also taking into account the utility the right of way would contribute if it were assembled with the subject property. In this appraisal report "subject property" refers to the alley to be abandoned as well as the adjacent assessors' parcels: 131-19-002K, 002L, 002U and 002V, Maricopa County, Arizona.

Sales and other market data for similar properties in the immediate and competing areas were analyzed, and well-informed individuals familiar with real estate values for this type of property were interviewed. The best available market data were analyzed. Public records were also utilized to assist in the valuation of this property.

As of the date of this report, Roger L. Dunlap has completed the requirements of continuing education for the Appraisal Institute and the State of Arizona.

Based on the market data found in my research, appropriate analysis and professional judgment, it is my opinion that the hypothetical value of the subject property, in fee simple, as of the effective date of this appraisal, September 18, 2018, is:

**EIGHT MILLION SIX HUNDRED THOUSAND DOLLARS
\$8,600,000*
\$26/SF**

Based on the market data found in my research, appropriate analysis and professional judgment, it is my opinion that the "as is" market value of the property to be conveyed (fee simple interest in alley), as of the effective date of this appraisal, September 18, 2018, is:

**ONE HUNDRED FIFTY-FIVE THOUSAND DOLLARS
\$155,000**

This letter must remain attached to the report, which contains 79 pages plus related exhibits, for the value opinion set forth to be valid.

Assuming that the subject is marketed by a professional brokerage firm, it is my judgment that the subject site could sell in its "as is" condition within a 6-9 month period if it were offered at a price within ten percent of the appraised value. Exposure time would be similar.

I appreciate the opportunity to be of service to you.

Respectfully Submitted,



Roger L. Dunlap, MAI
Certified General Real Estate Appraiser
Arizona Certificate #31062

TABLE OF CONTENTS

| | |
|--|----|
| Executive Summary..... | 1 |
| Underlying Assumptions and Limiting Conditions | 3 |
| Special Limiting Conditions and Hypothetical Condition..... | 5 |
| Subject Photographs..... | 6 |
| Introduction | |
| Description of the Assignment | 16 |
| Identification of Subject Property | 16 |
| Scope of Work..... | 16 |
| Purpose, Intended Use, Client and Intended Users of the Appraisal..... | 17 |
| Property Rights Appraised | 17 |
| Effective Date of Valuation and Date of the Report..... | 17 |
| Definition of Value | 17 |
| Ownership History of the Subject Property | 18 |
| Area Analysis..... | 20 |
| Neighborhood Summary..... | 38 |
| Site Description | 39 |
| Description of Improvements | 47 |
| Real Estate Taxes & FCV | 48 |
| Highest and Best Use Summary | 49 |
| Valuation Process..... | 52 |
| Land Valuation..... | 53 |
| Valuation of Right of Way to be Conveyed..... | 75 |
| Exposure Time and Marketing Period..... | 77 |
| Certification | 78 |

ADDENDA

Appraiser's Qualifications
Appraisal License
Contract Letter for Appraisal Services
Zoning Summary
Abandonment Application Exhibits

EXECUTIVE SUMMARY

| | |
|---|---|
| Type of Property: | A parcel of land with mixed zoning, currently improved with a single-family residence, a multi-family residential building and several small retail structures; along with the adjacent alley, appraised "as if vacant" |
| Location/Address: | 2001 North Scottsdale Road, City of Scottsdale, Maricopa County, Arizona |
| Assessor Tax Parcel Numbers: | 131-19-002K, 002L, 002U and 002V |
| Total Full Cash Value: | \$2,606,800 (2018) |
| Real Estate Taxes: | \$25,705.08 (2018). There are no prior year delinquent taxes. |
| Interest Appraised: | Fee simple |
| Gross Site Area: | ±8.26 acres (359,810 SF per client) |
| Net Site Area: | 7.59 net acres (330,656 SF per client) inclusive of area to be abandoned |
| Building Area: | 15,277 SF of Gross Building Area ("GBA") |
| Area of Property to be Abandoned: | 12,047 SF per client |
| Physical Age of Building Improvements: | 38-61 years |
| Effective Age: | 43 years (economic obsolescence) |
| Remaining Economic Life: | Two years |
| Zoning: | C-3, Highway Commercial and R1-7, Residential District |
| Flood Zone Designation: | The subject is in Zone "X" - Map #04013C2235L. The effective date of the map is October 16, 2013. Flood insurance is not required in a Zone "X." |

Highest and Best Use:

As If Vacant:

Mixed uses

As Improved:

Redevelop with mixed uses

Date of Inspection:

September 18, 2018

Effective Date of Value:

September 18, 2018

Date of Report:

September 26, 2018

Value Opinion**Land Value "As If Vacant":**

\$8,600,000 \$26/SF*

Value of Right of Way to be Abandoned: \$155,000****The hypothetical conditions may have had an effect on assignment results.****Marketing Period:**

6-9 months

Exposure Time:

6-9 months

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

1. That the legal description for the subject property available to the appraiser is correct.
2. That no survey was provided to the appraiser, and all other plans and specifications noted in this report are correct.
3. That the title to the property is marketable, free and clear of all liens.
4. That the property is appraised as if owned in fee simple.
5. That the fee simple interest in the property signifies all ownership interests of the property rights subject only to the limitations of the four powers of government.
6. That responsible ownership and competent management exist for the property.
7. That adequate utility services are available for the subject property and that they will continue to be so in the foreseeable future. These include electricity, water and sewer.
8. That construction, whether existing or to be completed, is assumed to be done according to the plans and specifications furnished to the appraiser, and that such construction is legal in character and meets all governmental requirements.
9. That hidden defects within the materials of the structures, or defects which are inaccessible to normal inspection, are not the responsibility of the appraiser.
10. An environmental site survey was not provided to the appraiser. Moreover, the appraiser is not qualified to detect or evaluate the subject site for environmental criteria. Thus, this appraisal does not take into consideration the possibility of the existence of asbestos, PCB transformers, urea formaldehyde foam insulation, or other toxic, hazardous or contaminated substances, and/or underground storage tanks (containing hazardous materials), or the cost of encapsulation or removal thereof.
11. That the subject property is not, nor will be, in violation of the National Environmental Policy Act, the State Environmental or Clean Air Act, or any and all similar government regulations or laws pertaining to the environment.
12. That information furnished by the client, property owner, agent or management is correct as received.
13. That the appraiser is not responsible for the accuracy of the opinions furnished by others and contained in this report, nor is he responsible for the reliability of government data utilized in the report.

14. That this report considers nothing of a legal character and that the appraiser assumes no responsibility for matters of a legal nature.
15. That compensation for appraisal services rendered is dependent only upon the delivery of this report and that it is not contingent upon the value opinions herein.
16. That testimony or attendance in court is not required by reason of this appraisal, unless arrangements are previously made.
17. That this report is the confidential and private property of the client and the appraiser. Any person other than the appraiser or the client who obtains and/or uses this report or its contents for any purpose not so authorized by the appraiser or the client is hereby forewarned that all legal means to obtain redress may be employed against him/her.
18. That neither this report, nor any of its contents, may be used for the sale of shares or similar units of ownership in the nature of securities, without specific prior approval of the appraiser. That no part of this appraisal may be reproduced without the permission of the appraiser.
19. That the appraiser cannot predict or evaluate the possible effects of future wage price control actions of the government upon rental income or financing of the subject property; hence, it is assumed that no control will apply which would nullify contractual agreements, thereby changing property values.
20. Statement of Policy. The following statements represent official policy of the Appraisal Institute with respect to neighborhood analysis and the appraisal of residential real estate:
 - a. It is improper to base a conclusion or opinion of value upon the premise that the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.
 - b. Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.
 - c. It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped or biased presumptions relating to race, color, religion, sex, or national origin, or upon unsupported presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.
21. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. It is beyond the scope of the assignment to make a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together

with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since there is no direct evidence relating to this issue, the possible non-compliance of the subject property with the requirements of ADA was not considered in estimating the value of the property. If, at a later date, it is determined that the subject does not conform, the value opinion is subject to change.

Special Limiting Condition

1. The following items relating to the subject were not available to the appraiser: survey, Phase I environmental report, soil report, site plan, title report, complete plans and specifications.

Hypothetical Conditions

1. The subject site is improved with a single-family residence, a multi-family residential building and several small retail buildings. The purpose of the assignment is to opine to the value of the fee simple interest to be abandoned. Therefore, the value, if any, positive or negative, of the existing improvements is not relevant. The appraisal is based on the hypothetical condition that the subject site is vacant as of the date of valuation. The subject land is appraised "as if vacant."

The hypothetical conditions may have had an effect on assignment results.

SUBJECT PHOTOGRAPHS

All photographs were taken by Roger Dunlap on September 18, 2018



Looking east from SWC of Subject (Scottsdale Road)



Looking northeast from SWC of Subject (Scottsdale Road)



Looking north from SWC of Subject (Scottsdale Road)



Looking south from NWC of Subject (Scottsdale Road)



Looking southeast from NWC of Subject (Scottsdale Road)



Looking east from NWC of Subject (Scottsdale Road)



Front Elevation of Retail Building



Front Elevation of Restaurant



Looking west from SEC of Subject (Palm Lane)



Looking northwest from SEC of Subject (Palm Lane)



Looking north from SEC of Subject (Palm Lane)



Looking north from SWC of Subject (Palm Lane)



Looking northeast from SWC of Subject (Palm Lane)



Looking east from SWC of Subject (Palm Lane)



Looking west from NEC of Subject



Looking southwest from NEC of subject



Looking south from NEC of Subject



Looking east from NWC of Subject (Alley)



Looking southeast from NWC of subject (Alley)



Looking south from NWC of Subject (Alley)

INTRODUCTION

Description of the Assignment

The client is in the process of seeking approval from the City of Scottsdale to abandon a portion of the fee simple interest in the alley that abuts the subject site.

The site is proposed for redevelopment with a housing project with 288 residential units. The client requires an opinion of the value of a portion of an alley. The property must be appraised so that the City can be compensated at market value for the City-owned property rights to be conveyed into private ownership. Since alleys and streets cannot reasonably be valued using comparable sales as they are special use properties, the privately-owned parcel adjacent to the right of way will be valued and then the abandonment property will be valued using the “across-the-fence” method, taking into account its limited market.

This appraisal has been prepared to comply with the appraisal reporting guidelines of the Uniform Standards of Professional Appraisal Practice (USPAP) as established by the Appraisal Foundation, and the Standards of Professional Practice as defined by the Appraisal Institute. It is beyond the scope of the assignment to value the improvements located on the property. The subject property is appraised subject to the hypothetical conditions detailed above.

Identification of Subject Property

The subject property is a parcel of land with mixed commercial/residential zoning, located at 2001 North Scottsdale Road, city of Scottsdale, Maricopa County, Arizona. It is identified by the Maricopa County Assessor as parcel numbers 131-19-002K, 002L, 002U and 002V. The subject property also includes the alley to be abandoned. A copy of the subject’s legal description is located in the addenda at the end of the report.

Positive attributes of the subject property include the Scottsdale Road address, very near downtown Scottsdale, adequate site size for a commercial development, good traffic count, access to services, amenities, customer and employee base.

Scope of Work

The scope of work included:

1. A physical inspection of the subject property;
2. A collection of zoning information from the City of Scottsdale, including any stipulations which may affect the use of the property;
3. Conversations with market participants, including real estate brokers, property owners and representatives of financial institutions, etc., in the Phoenix metro area;
4. Examination and analysis of the market relative to the subject property's area, using data developed by the appraiser as well as secondary sources of information;

5. Primary data collection, including gathering sales of comparable properties as well as other relevant market data; and,
6. Application of the relevant approaches to value based on the highest and best use of the subject property as well as the availability of pertinent market data.

On the date of value, the appraiser inspected and photographed the subject property from the adjacent streets and alleys. The interior of the buildings were not accessed.

In the search for data, the appraiser employed Realquest, Loopnet, and the Internet sites of the Maricopa County Assessor, Recorder and Treasurer as well as others.

Purpose, Intended Use, Client and Intended User of the Appraisal

The purpose of this appraisal is to provide an opinion of the market value of the property rights to be abandoned as of September 18, 2018, the date of valuation, in the fee simple interest. Berry Riddell LLC is the client. The intended use of this report is to provide an opinion of the value of the property to be abandoned to facilitate the abandonment process. The intended users are the client and the City of Scottsdale.

Property Rights Appraised

This appraisal values the *fee simple estate* which can be defined as:

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.¹

Effective Date of Valuation and Date of the Report

The subject property was inspected on September 18, 2018. Therefore, the effective date for the “as is” market valuation is September 18, 2018. The report date is September 26, 2018.

Definition of Market Value

Market Value

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.²

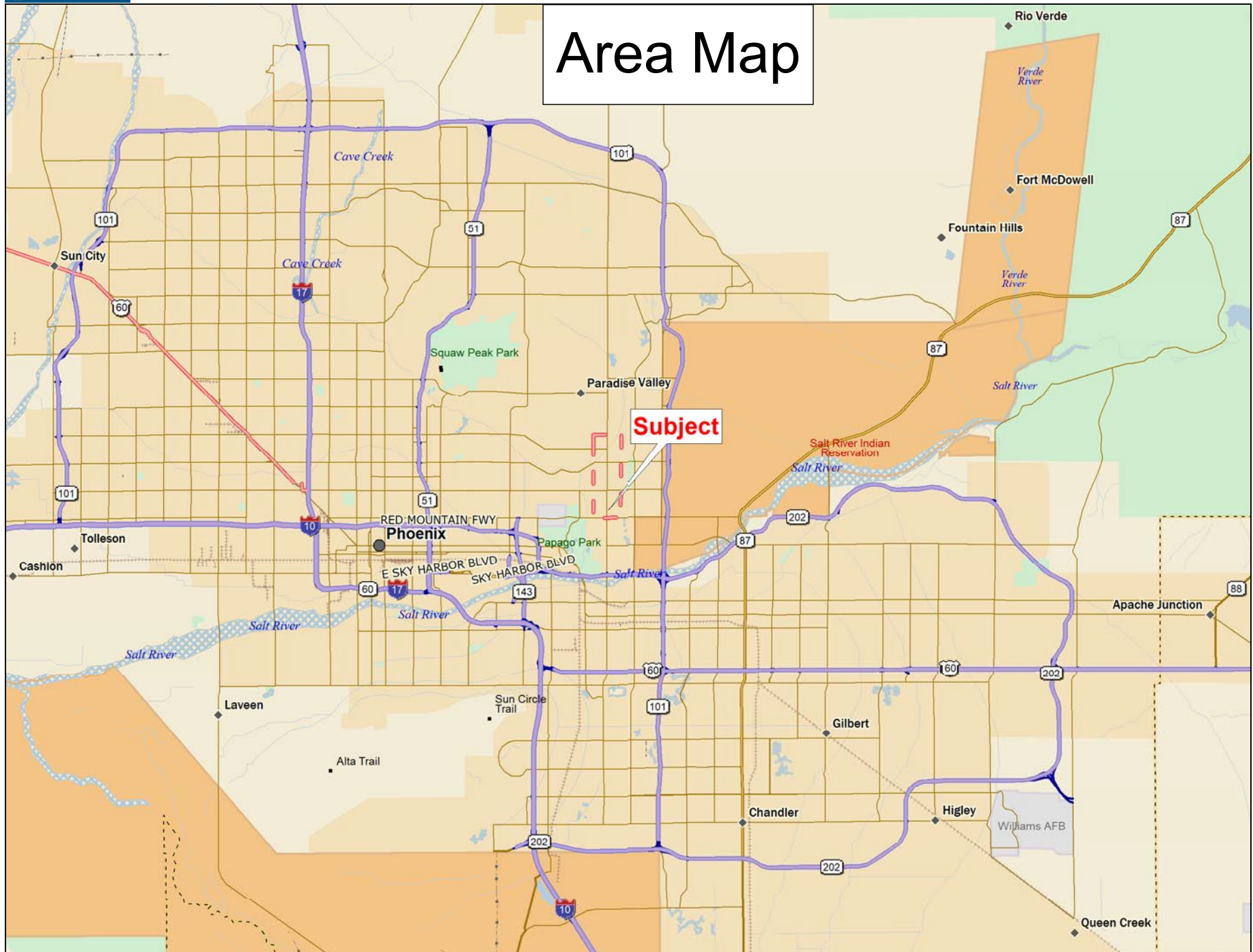
¹ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. “fee simple estate.” (Chicago: Appraisal Institute, 2015), PDF e-book.

² Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. “market value.” (Chicago: Appraisal Institute, 2015), PDF e-book.

Ownership History of the Subject Property

No title report was provided to the appraiser. According to recorded documents, title to the subject property is currently held in the name of Palm Lane Partners LLC. It was conveyed into this entity by Anne L. Horii, as sole Successor Trustee of the Lew Family Living Trust via a special warranty deed, recorded in Maricopa County at 2008-0076805 on January 29, 2008. There was no reported consideration exchanged. The deed was re-recorded at 2008-0179864 to correct the legal description. There have been no other transfers of the subject property within the past five years and the property is not for sale to the best of my information.

Area Map



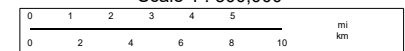
Data use subject to license.

© DeLorme. DeLorme Street Atlas USA® 2015.

www.delorme.com



Scale 1 : 300,000



1" = 4.73 mi

Data Zoom 9-4

AREA ANALYSIS

Metropolitan Phoenix is located in Maricopa County which is also known as the “Valley of the Sun.” Maricopa County is located in south central Arizona and contains ±9,127 square miles of land area. Phoenix is the state capital, county seat and the largest city in the state. Maricopa County has grown to become the 4th largest county in the country in terms of population. Growth has been attributed to a variety of factors, including favorable cost of living, recreational opportunities, weather and availability of employment. The official town site was originally selected in 1870, although several people were living in the area in the early 1860's. In the late 1860's, the Swilling Irrigation Canal Company was organized and is responsible for giving Phoenix its name. The new city was to be located on top of ancient canals and villages of a vanished civilization and therefore rise upon the ashes of the old - just as the legendary Phoenix Bird, when consumed by fire, rose from its own ashes. Phoenix was incorporated in 1881.

Arizona Employment Trends

Arizona's economy is heavily service-based, with just 12% of the jobs being goods-producing, such as mining and construction, and manufacturing. Of the 88% of the jobs in the total non-farm universe, private service providing jobs account for 89% of that sub-set and just under 78% of the total non-farm jobs in Maricopa County.

MARICOPA COUNTY LABOR FORCE 2018

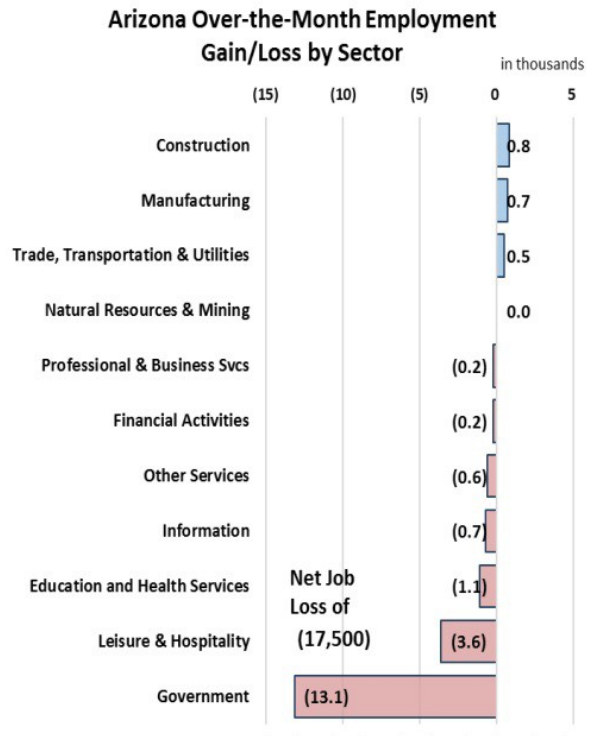
| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----|-----|-----|-----|-----|
| Total Civilian Labor Force | 2,165,170 | 2,198,244 | 2,196,909 | 2,186,219 | 2,177,077 | 2,177,306 | 2,183,494 | - | - | - | - | - |
| Total Employment | 2,069,218 | 2,102,935 | 2,109,216 | 2,104,124 | 2,103,937 | 2,087,763 | 2,091,478 | - | - | - | - | - |
| Total Unemployment | 95,952 | 95,309 | 87,693 | 82,095 | 73,140 | 89,543 | 92,016 | - | - | - | - | - |
| Unemployment Rate | 4.4% | 4.3% | 4.0% | 3.8% | 3.4% | 4.1% | 4.2% | - | - | - | - | - |

Figure 1

| Arizona, U.S. Economic Indicators Unemployment Rate (Seasonally Adj.) | | | |
|--|----------|----------|----------|
| | July '18 | June '18 | July '17 |
| United States | 3.9% | 4.0% | 4.3% |
| Arizona | 4.6% | 4.7% | 4.7% |
| Arizona unadjusted rate | 5.0% | 4.8% | 5.1% |
| Arizona Nonfarm Employment (in Thousands) | | | |
| | July '18 | June '18 | July '17 |
| Overall | 2,775.0 | 2,792.5 | 2,702.6 |
| Over-Month % Chg. | -0.6% | -1.6% | -0.8% |
| Year-to-Year % Chg. | 2.7% | 2.5% | 2.7% |

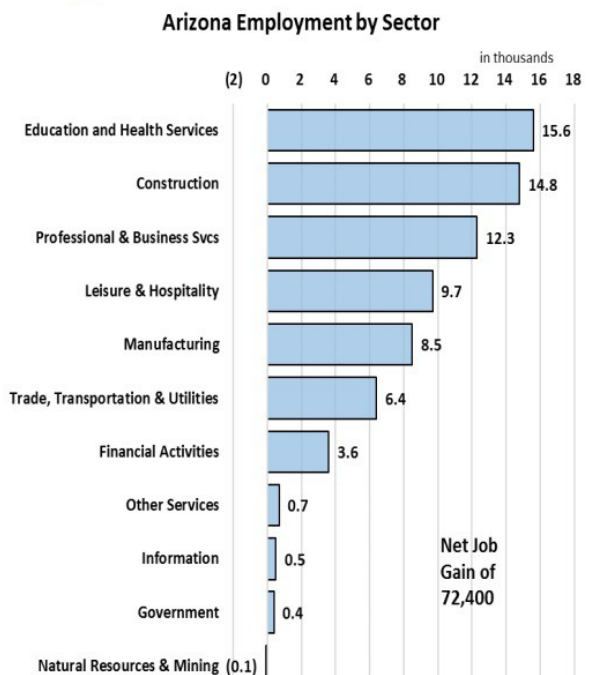
Arizona's unemployment rate decreased to 4.6% from June 2018 to July 2018, lower than it was a year ago. During that same period, Arizona's seasonally adjusted labor force level increased by 1,666 individuals. From July 2017 to July 2018, Arizona's seasonally adjusted labor force level increased by 59,745 individuals. The U.S. seasonally adjusted unemployment rate decreased from 4.0% in June to 3.9% in July.

Figure 2



Source: Produced by the Arizona Office of Economic Opportunity in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Figure 3



Source: Produced by the Arizona Office of Economic Opportunity in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Over the Month

Overall, Arizona lost 17,500 nonfarm jobs in July 2018, less than the historical post-recession (2010 – 2017) average of 21,200 jobs lost in July.

The government sector recorded a loss of 13,100 jobs in July 2018. The private sector recorded a net loss of 4,400 jobs, well below the historical post-recession (2010 – 2017) average of 7,700 jobs lost in July.

Over the Year

Employment in Arizona is up 2.7% year over year. From July 2017 to July 2018, Arizona recorded a net gain of 72,400 nonfarm jobs, with the majority (72,000) in the private sector.

MARICOPA COUNTY UNEMPLOYMENT RATES

| Year | Annual Average |
|-------------|-----------------------|
| 2000 | 2.7% |
| 2001 | 3.9% |
| 2002 | 5.6% |
| 2003 | 4.9% |
| 2004 | 4.0% |
| 2005 | 4.1% |
| 2006 | 3.5% |
| 2007 | 3.6% |
| 2008 | 5.7% |
| 2009 | 7.7% |
| 2010 | 8.6% |
| 2011 | 7.7% |
| 2012 | 7.1% |
| 2013 | 6.7% |
| 2014 | 5.8% |
| 2015 | 5.1% |
| 2016 | 5.0% |
| 2017 | 3.9% |

Population Data and Trends

The US Census Bureau estimates population in Maricopa County of 4,242,997 in 2016 compared to a population of 3,072,149 in 2000. This represents a compounded growth rate of 2.04% per year. The following table illustrates population growth in Maricopa County from 2000-2016.

MARICOPA COUNTY HISTORIC POPULATION GROWTH

| Year | Population | % Change From Previous Year |
|------|------------|-----------------------------|
| 2000 | 3,072,149 | |
| 2001 | 3,173,219 | 3.29% |
| 2002 | 3,261,203 | 2.77% |
| 2003 | 3,353,875 | 2.84% |
| 2004 | 3,559,540 | 6.13% |
| 2005 | 3,577,074 | 0.49% |
| 2006 | 3,663,915 | 2.43% |
| 2007 | 3,753,413 | 2.44% |
| 2008 | 3,808,829 | 1.48% |
| 2009 | 3,821,136 | 0.32% |
| 2010 | 3,817,117 | -0.11% |
| 2011 | 3,843,370 | 0.69% |
| 2012 | 3,884,705 | 1.08% |
| 2013 | 3,944,859 | 1.55% |
| 2014 | 4,008,651 | 1.62% |
| 2015 | 4,076,438 | 1.69% |
| 2016 | 4,242,997 | 4.09% |

Source: Office of Employment & Population Statistics, Arizona Dept. of Administration

Most of the population growth has occurred outside the city of Phoenix where there is more developable land. Population increases are primarily attributed to employment opportunities, affordable housing, good weather and economic dislocation from other regions. Maricopa County currently accounts for about 60 percent of the State's population.

Although the Phoenix metropolitan area has exhibited strong long-term historical growth, annual net population gains have varied substantially, following the economic cycles affecting the region. During economic downturns, new in-migration typically declines. The fact that 2010 saw the first decline in the County's population since World War II is a testament to the severity of the market downturn that was unfolding at the time. Population growth projections show growth of 1.4%/year to the year 2050.

The region typically attracts a continual flow of immigrants seeking new opportunities. This employment-related in-migration has brought a large number of young, well-educated residents to the region. The median age of Maricopa County residents is 33.6 years, which is somewhat younger than the national median of 36 years. About 50 percent of the population is in the prime work force age range of 20 to 59 years old. The median household income is \$55,099 in Maricopa County per the 2012 data. Maricopa County also offers a well-educated work force. About 26 percent of adults have some college education, and an additional 33 percent have completed an associate's, bachelor's or graduate degree.

| Arizona Population Estimates and Projections | | | | |
|--|---------------------------------|-----------------------------------|--|------------------------------|
| County | 2015 Population Estimates | 2050 Population Projections | Average Annual Numeric Change | Annualized growth rate |
| Apache | 72,215 | 59,900 | -352 | -0.5% |
| Cochise | 129,112 | 157,900 | 823 | 0.6% |
| Coconino | 141,602 | 173,000 | 897 | 0.6% |
| Gila | 54,406 | 53,900 | -14 | 0.0% |
| Graham | 38,475 | 54,200 | 449 | 1.0% |
| Greenlee | 10,555 | 10,600 | 1 | 0.0% |
| La Paz | 21,183 | 22,900 | 49 | 0.2% |
| Maricopa | 4,076,438 | 6,698,400 | 74,913 | 1.4% |
| Mohave | 205,716 | 310,900 | 3,005 | 1.2% |
| Navajo | 109,671 | 119,500 | 281 | 0.2% |
| Pima | 1,009,371 | 1,370,500 | 10,318 | 0.9% |
| Pinal | 406,468 | 1,035,500 | 17,972 | 2.7% |
| Santa Cruz | 50,270 | 70,200 | 569 | 1.0% |
| Yavapai | 217,778 | 337,900 | 3,432 | 1.3% |
| Yuma | 214,991 | 345,700 | 3,735 | 1.4% |
| Arizona | 6,758,251 | 10,821,000 | 116,079 | 1.4% |

Housing

During the boom period of 2003 through 2007, metropolitan Phoenix averaged 49,158 single family permits per year with 60,872 permits issued in 2004 and 63,570 permits issued in 2005, according to R.L. Brown. In 2011 there were only 7,204 permits issued and 11,852 were issued in 2012. In 2013 there were 12,432 permits issued. In 2014, the year-over-year number of permits fell 12% to 10,997. 2015 showed a large increase of 44% over 2014. June of 2016 showed a smaller increase of 12% over 2015. End of year figures for 2017 show an increase of 12% over 2016. The Town of Gilbert Planning Department provided the statistics found in the following table. This table depicts the single family building permit activity for most of the cities in the metro area.

2018 Single Family Building Permits for Selected Jurisdictions

| | 2017 | | | | | 2018 | | | | | | | | YTD | YTD | Pct Change | 2017 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|---------------|--------|
| | Aug | Sep | Oct | Nov | Dec | J:m | Feb | Mar | Apr | May | Jun | Jul | Aug | 2017 | 2018 | from YTD 2017 | Total |
| Apache Junction | 18 | 1 | 1 | 2 | - | 13 | 5 | 10 | 4 | 13 | 17 | 8 | 9 | 38 | 79 | 108% | 42 |
| Avondale | 35 | 22 | 13 | 14 | 27 | 19 | 21 | 25 | 30 | 23 | 39 | 12 | 23 | 176 | 192 | 9% | 252 |
| Buckeye | 220 | 194 | 208 | 183 | 162 | 161 | 194 | 213 | 179 | 197 | 170 | 211 | 197 | 1,448 | 1,522 | 5% | 2,195 |
| Casa Grande | 19 | 2 | 9 | 9 | 3 | 7 | 10 | 12 | 11 | 10 | 16 | 31 | 35 | 91 | 132 | 45% | 114 |
| Chandler | 49 | 54 | 63 | 75 | 45 | 45 | 22 | 46 | 40 | 28 | 31 | 30 | 59 | 433 | 301 | -30% | 670 |
| Coolidge | - | - | - | 1 | 8 | 1 | - | 1 | - | - | - | 2 | - | 2 | 4 | 100% | 11 |
| Florence | 15 | 20 | 27 | 14 | 21 | 15 | 16 | 17 | 26 | 24 | 21 | 21 | 21 | 136 | 161 | 18% | 218 |
| Gilbert | 106 | 105 | 109 | 127 | 105 | 121 | 93 | 154 | 120 | 164 | 178 | 118 | 140 | 1,154 | 1,088 | -6% | 1,600 |
| Glendale | 9 | 6 | 2 | 5 | 38 | 16 | 18 | 17 | 28 | 24 | 10 | 19 | 16 | 120 | 148 | 23% | 171 |
| Goodyear | 79 | 61 | 70 | 86 | 102 | 98 | 113 | 137 | 176 | 103 | 98 | 116 | 100 | 763 | 941 | 23% | 1,082 |
| Mariopaca | 101 | 111 | 67 | 95 | 73 | 105 | 98 | 80 | 77 | 107 | 90 | 92 | 87 | 519 | 736 | 42% | 865 |
| Mariopaca County | 86 | 81 | 102 | 64 | 88 | 110 | 115 | 181 | 112 | 133 | 147 | 204 | 287 | 769 | 1,289 | 68% | 1,104 |
| Mesa | 265 | 234 | 195 | 222 | 199 | 228 | 227 | 282 | 267 | 224 | 195 | 184 | 159 | 1,816 | 1,766 | -3% | 2,666 |
| Paradise Valley | 1 | 5 | 10 | 3 | 4 | 10 | 5 | 9 | 5 | 10 | 6 | 7 | 6 | 53 | 58 | 9% | 75 |
| Pearia | 141 | 130 | 90 | 118 | 81 | 116 | 107 | 111 | 134 | 142 | 138 | 104 | 94 | 1,207 | 946 | -22% | 1,626 |
| Phoenix | 273 | 277 | 273 | 173 | 303 | 315 | 285 | 284 | 380 | 323 | 372 | 313 | 350 | 1,897 | 2,618 | 38% | 2,923 |
| Pinal County | 196 | 157 | 132 | 153 | 205 | 124 | 212 | 251 | 268 | 222 | 195 | 300 | 246 | 1,486 | 1,818 | 22% | 2,133 |
| Queen Creek | 86 | 39 | 55 | 51 | 55 | 79 | 70 | 92 | 108 | 100 | 181 | 167 | 148 | 651 | 945 | 45% | 851 |
| Scottsdale | 37 | 31 | 26 | 37 | 29 | 38 | 20 | 46 | 43 | 32 | 38 | 36 | 36 | 329 | 289 | -12% | 452 |
| Surprise | 92 | 80 | 84 | 99 | 58 | 92 | 103 | 139 | 127 | 146 | 156 | 120 | 102 | 493 | 985 | 100% | 814 |
| Total | 1,829 | 1,610 | 1,536 | 1,531 | 1,606 | 1,709 | 1,734 | 2,107 | 2,135 | 2,025 | 2,098 | 2,095 | 2,115 | 13,581 | 16,018 | 18% | 19,863 |

The median sale price for a previously-owned house in May 2018 was up 6.5 percent from the same month a year previous in Maricopa County.

The peak price of house prices in Maricopa County was reached in June 2006, during which the median cost of single-family houses hit \$287,500. According to the R.L. Brown housing report, the median price is \$255,963 as of August 2018. This recent mark is still \$31,500 short of the record, but is well up from the \$120,000 mark hit in August 2011.

7,063 houses sold in Maricopa County in the month of May 2018. Of those, 20 were more than \$3 million in sale price.

Maricopa Association of Governments
Population and Housing Inventory Projections for Maricopa County

| | Total Resident Population | | Total Housing Units | |
|------|---------------------------|---------------|---------------------|-----------|
| Year | Total | In Households | Total | Occupied |
| 2005 | 3,681,025 | 3,616,690 | 1,479,767 | 1,352,967 |
| 2010 | 4,216,499 | 4,142,401 | 1,685,134 | 1,556,706 |
| 2020 | 5,230,300 | 5,139,943 | 2,104,440 | 1,959,300 |
| 2030 | 6,135,000 | 6,029,587 | 2,502,040 | 2,331,270 |

The housing inventory projections reflect net additions to the inventory after demolitions and therefore, understate in a relatively minor way total new construction activity.

Utilities

Although water supply is constrained in an arid desert climate such as Phoenix, there is generally adequate water for the overall region. The completion of the Central Arizona Project (CAP) has allowed the Phoenix area to receive water transported from the Colorado River to supplement local surface and groundwater supplies. However, increasing limitations on groundwater pumping have been mandated by the Arizona Groundwater Management Code, requiring a gradual total cutback in the 500,000 acre-feet of groundwater which is over drafted annually. These regulations will have an impact on development patterns in the metropolitan area, but are not generally expected to constrain overall growth in the economy and population. The Palo Verde Nuclear Power Project is expected to provide adequate electrical power to serve anticipated population and employment growth. Utility services are adequate and are typically provided by the following:

| | |
|--------------|--|
| Electricity: | Salt River Project, Arizona Public Service Company |
| Natural Gas: | Southwest Gas Company |
| Telephone: | CenturyLink & others |
| Water: | Salt River Project/Municipal |
| Sewer: | Municipal |

Availability of water, sewer, electricity and gas has historically been adequate in the metro area. Utility costs have been average for the metro area, particularly when compared with other similar metro areas in the West. At this time, there are no factors which suggest any changes in the adequacy of utility services in the metro area. The trend for solar use and development is gaining momentum. Future development potential is not hampered by current or foreseeable utility shortages in the metro area.

Transportation

The metropolitan area has major airport and freeway infrastructure developments underway which will substantially improve accessibility within the region. According to the public information office at Sky Harbor International Airport, the airport is the 9th busiest airport in the country in terms of number of total passengers. Airline passenger traffic for 2017 was 43,921,670 passengers. This is a large increase from 38,554,530 in 2010. Forecasts suggest a continuing upward trend assuming stable economic conditions.

In order to meet continued demand, the airport has recently completed several extensive upgrades and projects at an estimated cost of \$2.0 billion. The projects include an automated train, new taxiways, and continuation of on-going improvements to airport security.

The Phoenix metropolitan area is served by Interstate 17 (I-17), which runs in a north/south direction and Interstate 10 (I-10), which merges with I-17 near Sky Harbor International Airport. I-17 provides access to Prescott and Flagstaff to the north. I-10 provides access to Los Angeles to the west and Texas, New Mexico and Southeastern and Atlantic Seaboard states to the east. Other metro freeways such as the Loop 101, Loop 202 and the San Tan Freeway also provide access for travelers. According to The Maricopa Association of Governments, new freeways will be added over the next several years, some of which are currently under construction. If population continues to grow as in the past, the freeway system will most likely remain over-taxed. Inefficient transportation has resulted from the development of urban centers and residential developments scattered throughout the metropolitan area. This situation has exacerbated the problem of designing an efficient mass transit system. The light rail project opened for operation in December 2008. The expansion of an additional 3.1 miles to Mesa opened August 22, 2015. Transportation availability and efficiency remains one of the Phoenix area's challenges to future economic growth.

Financial

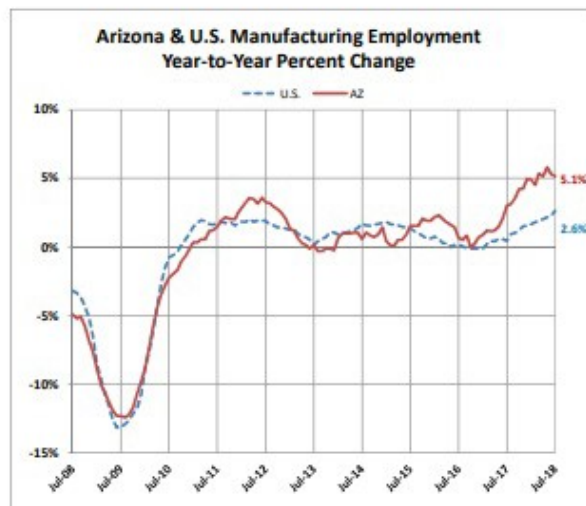
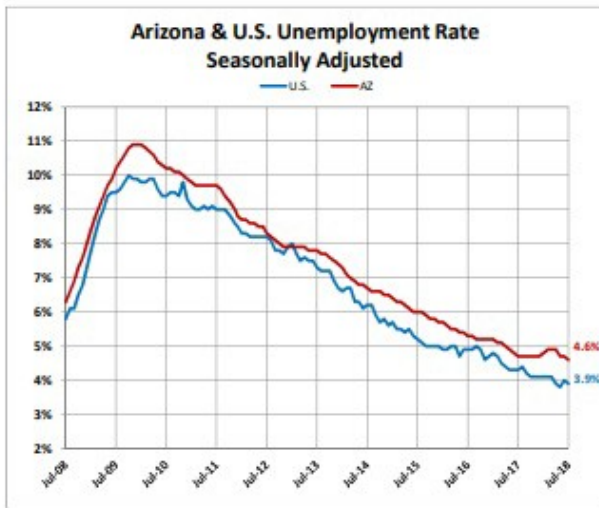
Numerous state and national banks are located throughout the Phoenix area. State-chartered credit unions also serve metropolitan Phoenix. The Phoenix metro area is presently served by a number of large financial institutions such as Bank of America, JP Morgan Chase and Wells Fargo to name a few. Extensive branch banking operations are also maintained by the large national banks as well as many local and regional banks. Banking and financial services adequately serve the needs of the growing metro area.

Education

Metropolitan Phoenix offers a broad educational system from elementary through doctoral degree programs. There are numerous schools of higher learning in the Phoenix area, including Arizona State University. Arizona State University is a major university offering numerous bachelor's degree programs, master's degree programs and doctoral degree programs. ASU has developed a 300-acre site in west Phoenix and has developed significant classrooms and housing in downtown Phoenix, which has revitalized the downtown area in a dramatic fashion.

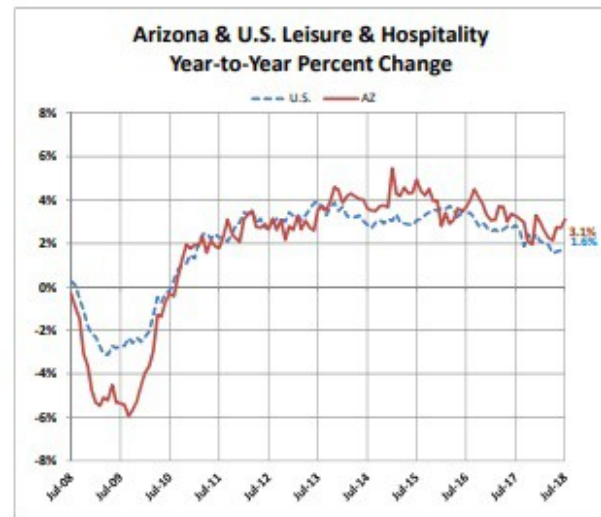
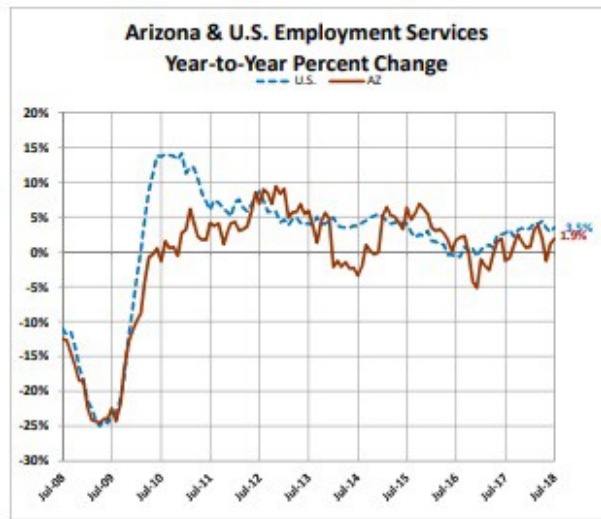
There is also an ASU East Campus located at the Williams Gateway Airport facility. The Phoenix metropolitan area also offers community colleges and other private technical schools offering a wide range of educational opportunities.

LABOR MARKET TRENDS CHARTS



Source: Prepared by the Arizona Office of Economic Opportunity, in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

LABOR MARKET TRENDS CHARTS

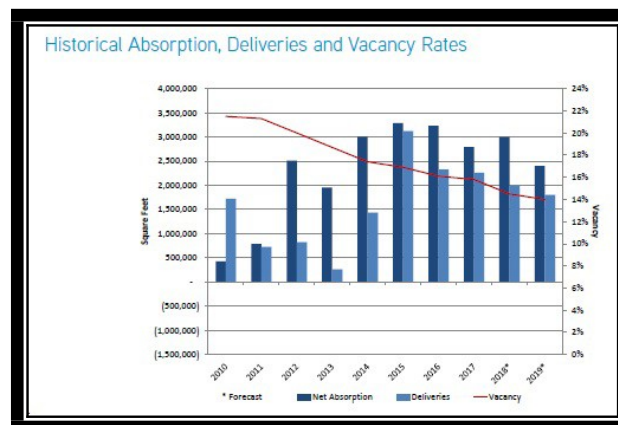


Source: Prepared by the Arizona Office of Economic Opportunity, in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Office Market

The following summary of the Greater Phoenix office market relies in part on the Colliers International *Greater Phoenix Office Research & Forecast Report for the 2nd Quarter 2018*.

The Greater Phoenix office market strengthened during the second quarter, fueled by continued tenant demand for space. Net absorption totaled more than one million square feet during the quarter, a figure that has been matched only a few times in the past several years.

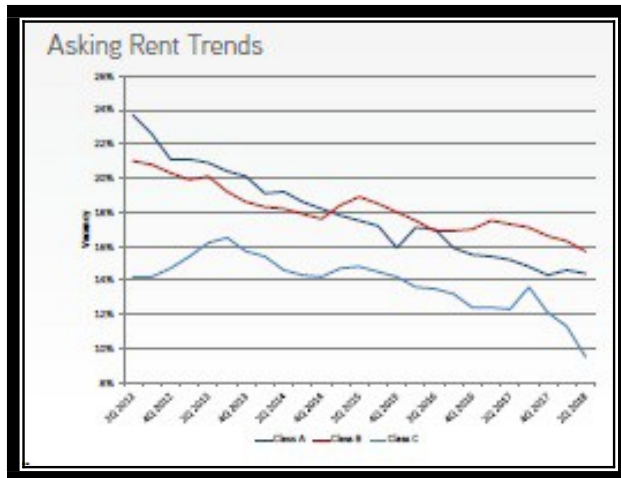


| Market Indicators Relative to prior period | Market Q2 2018 | Market Q2 2017 |
|---|-------------------|-------------------|
| Vacancy | ↓ | ↓ |
| Net Absorption | ↑ | ↑ |
| Construction | ↓ | ↓ |
| Rental Rate | ↑ | ↑ |
| Second Quarter Employment Trends* | | |
| Total Nonfarm Phoenix Metro | ↓ | ↑ |
| Office-Using Phoenix Metro | ↑ | ↑ |
| Total Nonfarm United States | ↓ | ↑ |
| Office-Using United States | ↑ | ↑ |
| *Source: Bureau of Labor Statistics | | |

| Summary Statistics | Phoenix Market | Phoenix Class A | Phoenix Class B |
|--|-------------------|--------------------|--------------------|
| Vacancy Rate | 14.7% | 14.4% | 15.7% |
| Change from 2Q 2017 (bps) | -140 | -80 | -160 |
| Net Absorption (thousands SF) | 1,112 | 352 | 527 |
| New Construction (thousands SF) | 220 | 150 | 70 |
| Under Construction (thousands SF) | 2,963 | 2,427 | 536 |
| Asking Rents Per Square Foot Per Year | \$24.69 | \$28.89 | \$22.69 |
| Change from 2Q 2017 | 2.8% | 2.7% | 2.1% |

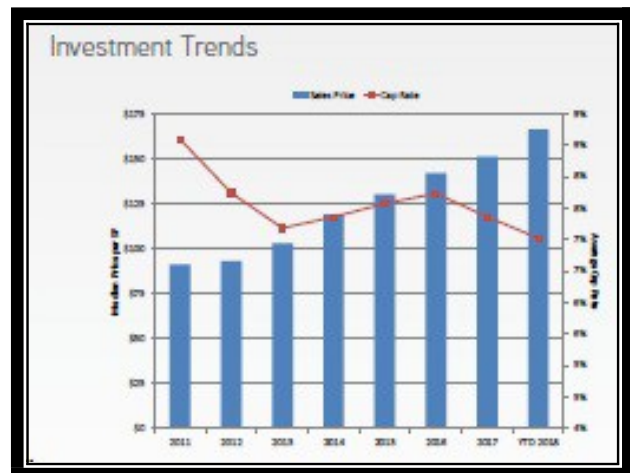
Tenant Demand is being driven by a steady pace of hiring, including continued gains in office-using sectors. Employment in Greater Phoenix is coming from both businesses entering the market, as well as existing companies expanding established operations. The ongoing tenant demand in the marketplace is driving the local vacancy rate lower, but the pace of rent growth has leveled off in recent quarters. Average asking rents are up less than three percent from one year ago, even as the vacancy rate has dipped to its lowest level in more than a decade. The slowing pace of rental growth is not likely to persist given the strong demand in the market.





Overall rental rates could receive a boost from the delivery of new spec projects in the coming quarters. The average asking rent in spec buildings that are currently under way is about 20 percent higher than the average asking rent on existing Class A buildings. Sales of office buildings have been quite active thus far in 2018, as investors are responding to the improving market conditions.

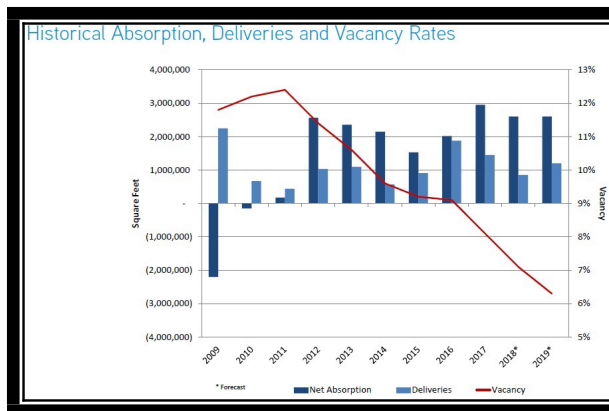
Transaction counts for the first half of 2018 are up about 10 percent from the first half of last year and up more than 15 percent from the average levels over the past five years. Prices are also generally trending higher, while cap rates are averaging approximately seven percent.



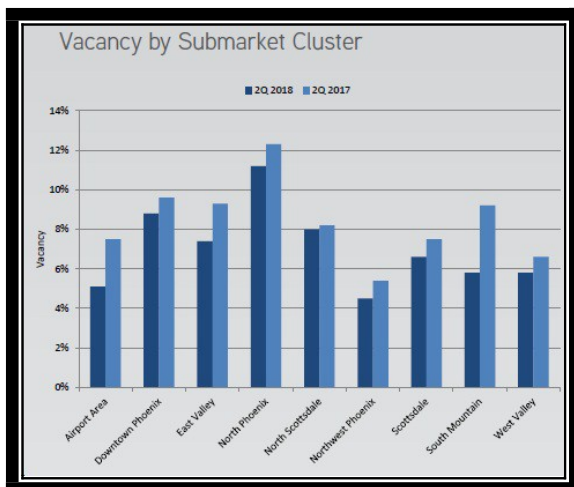
RetailMarket

The following summary of the Greater Phoenix retail market relies in part on the Colliers International *Greater Phoenix Retail Research & Forecast Report for the 2nd Quarter 2018*.

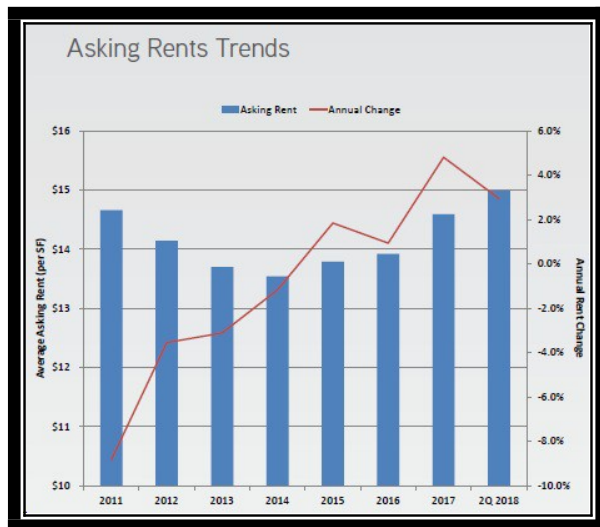
The strong start to the year in the Greater Phoenix retail market continued into the second quarter. In each of the first two quarters of 2018, net absorption has topped 500,000 square feet, and total net absorption for the first half of the year is up nearly 10 percent when compared to the first half of 2017.



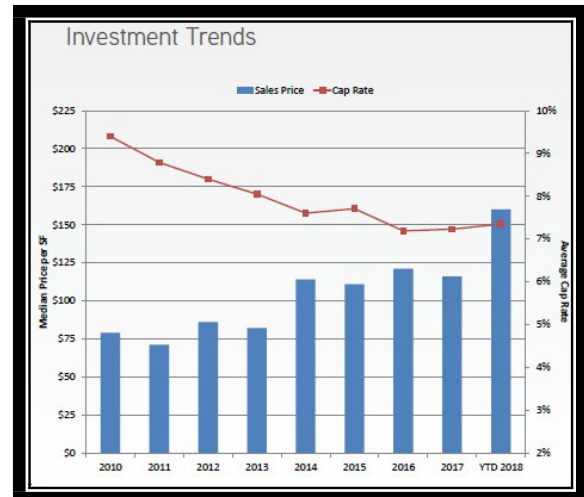
| Market Indicators Relative to prior period | Market Q2 2018 | Market Q2 2017 |
|---|-------------------|-------------------|
| Vacancy | ↓ | ↓ |
| Net Absorption | ↓ | ↑ |
| Construction | ↓ | ↓ |
| Rental Rate | ↑ | ↑ |
| Second Quarter Employment Trends* | | |
| Total Nonfarm Phoenix Metro | ↓ | ↑ |
| Retail Phoenix Metro | ↑ | ↑ |
| Total Nonfarm United States | ↓ | ↑ |
| Retail United States | ↑ | ↓ |
| *Source: Bureau of Labor Statistics | | |
| Summary Statistics | | |
| Phoenix Market | | |
| Vacancy Rate | 7.6% | |
| Change from Q2 2017 (bps) | -130 | |
| Net Absorption (thousands SF) | 577 | |
| New Construction (thousands SF) | 44 | |
| Under Construction (thousands SF) | 605 | |
| Asking Rents Per Square Foot Per Year | \$14.99 | |
| Change from Q2 2017 | 3.0% | |



This tenant demand is driving the local vacancy rate lower.



Retail real estate fundamentals have been improving across the Greater Phoenix market. Vacancy has declined year over year in each of the submarket clusters in the market, with the



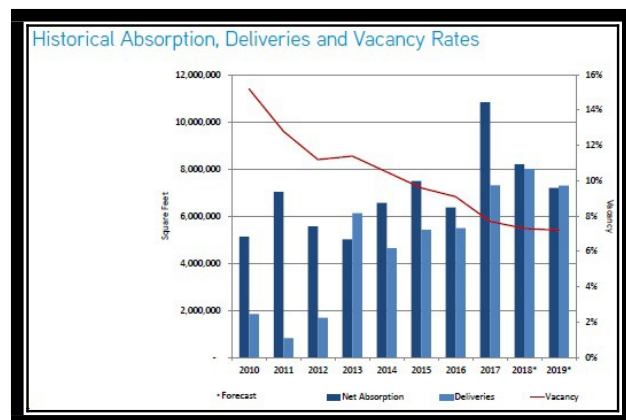
East Valley and Scottsdale recording some of the most significant investment activity cooled off in the second quarter, with fewer shopping centers changing hands at lower prices. While the total number of property transactions slowed, there was an increase in properties priced at \$5 million and higher during the second quarter. This was a continuation of the trend that emerged in 2017, when nearly half of the total transactions in the market were priced at \$5 million or above.

With larger properties changing hands, cap rates are generally lower than they were a few years ago. Cap rates have averaged approximately 7.3 percent year to date, nearly identical to one year ago.

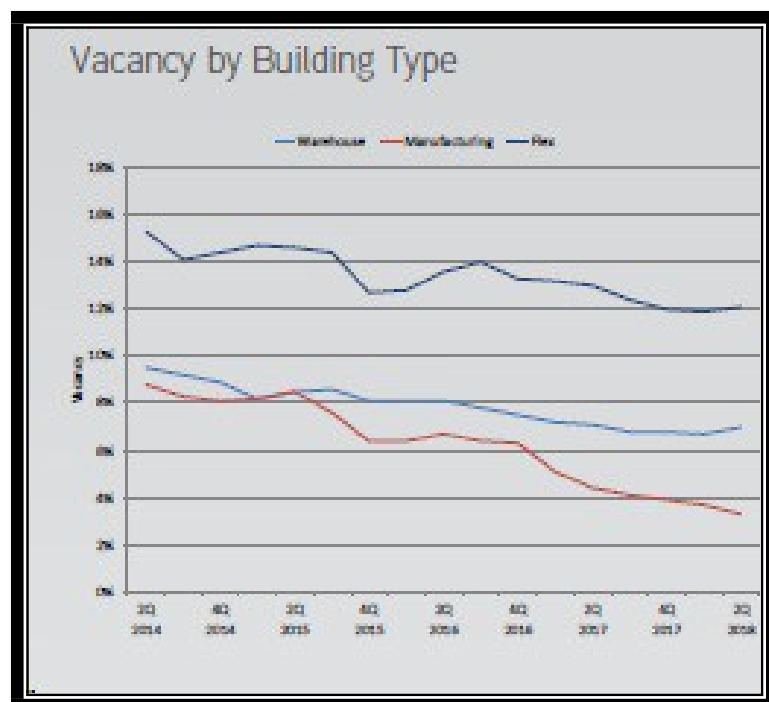
Industrial Market

The following summary of the Greater Phoenix industrial market relies in part on the Colliers International *Greater Phoenix Industrial Research & Forecast Report for the 2nd Quarter 2018*.

After a bit of a cooling off period at the start of the year, the Greater Phoenix industrial market gained momentum during the second quarter. Businesses continue to expand in the Phoenix area, and developers are meeting this demand

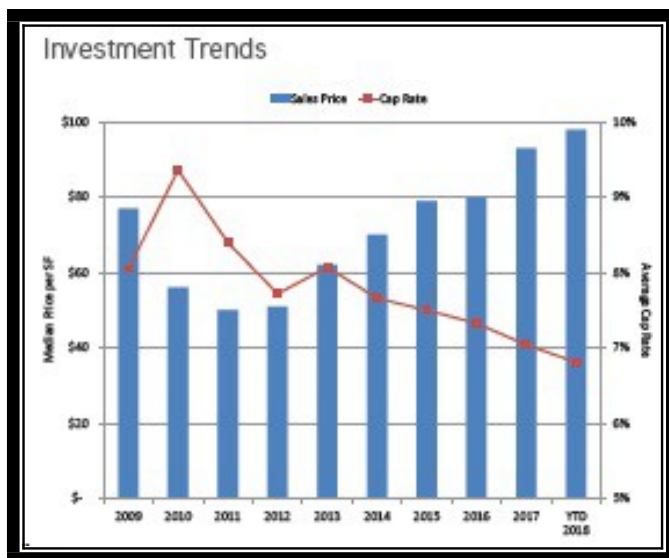
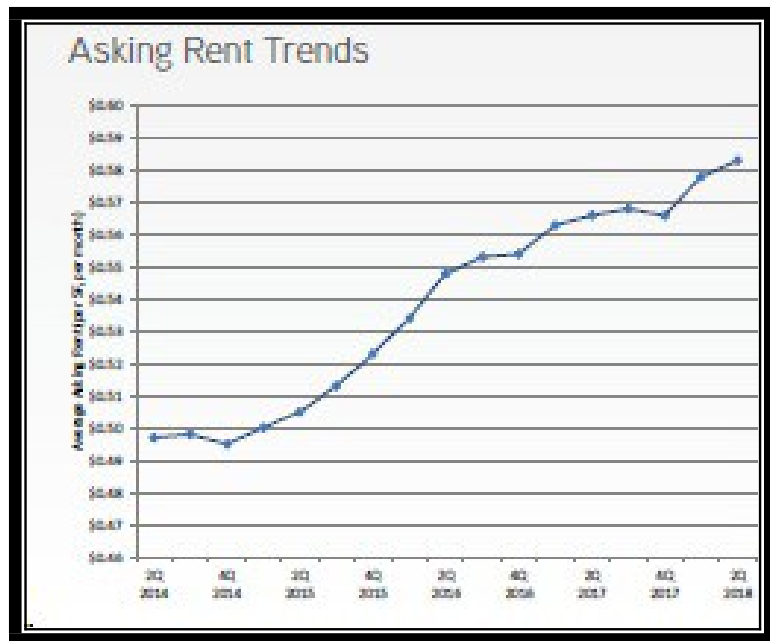


| Market Indicators Relative to prior period | Market 2Q 2018 | Market 2Q 2017 |
|---|-------------------|-------------------|
| Vacancy | ↓ | ↓ |
| Net Absorption | ↑ | ↓ |
| Construction | ↑ | ↓ |
| Rental Rate | ↑ | ↑ |
| Second Quarter Economic Trends* | | |
| Phoenix Metro Employment | ↓ | ↑ |
| Phoenix Industrial Uses Employment | ↑ | ↑ |
| U.S. Employment | ↓ | ↑ |
| U.S. Industrial Uses Employment | ↓ | ↓ |
| * Source: Bureau of Labor Statistics | | |
| Summary Statistics Phoenix Industrial Market | | |
| Vacancy Rate | 7.2% | |
| Change from 2Q 2017 (bps) | -130 | |
| Net Absorption (thousands SF) | 2,342 | |
| New Construction (thousands SF) | 2,125 | |
| Under Construction (millions SF) | 6.019 | |
| Asking Rents Per Square Foot Per Month | \$0.58 | |
| Change from 2Q 2017 | 3.0% | |



by moving a mix of spec and build-to-suit projects through the pipeline. Net absorption in the local industrial market has exceeded one million square feet in each of the past eight quarters, averaging nearly 2.4 million square feet per quarter in that time. The clearest measure of the health of the local industrial market is the vacancy rate, which at 7.2 percent is at its lowest point in more than a decade. The rate has continued to decline even as new spec projects have come to the market. Vacancy has averaged just 7.6 percent over the past year, the lowest 12-month average since 2006.

The total amount of vacant industrial space has been trimmed in half from the peak of more than 44 million square feet in early 2010 to just over 21 million square feet as of the second quarter. Investment activity for industrial assets accelerated in the second quarter, closing out a very strong first half of 2018. Sales velocity during the first six months of 2018 was more active than in any first half since 2007.



The volume of properties changing hands is being reflected in pricing trends; the median price during the first half of 2018 was nearly \$100 per square foot, building on double-digit price gains recorded in 2017. Cap rates have compressed slightly this year, averaging in the high-six percent range, even as interest rates have begun to push higher. This trend of rising borrowing costs and declining yields is not sustainable in the long term, but cap rates could stay near current ranges in the coming quarters due to strong investor demand and competition for performing assets.

Multi-Family Market

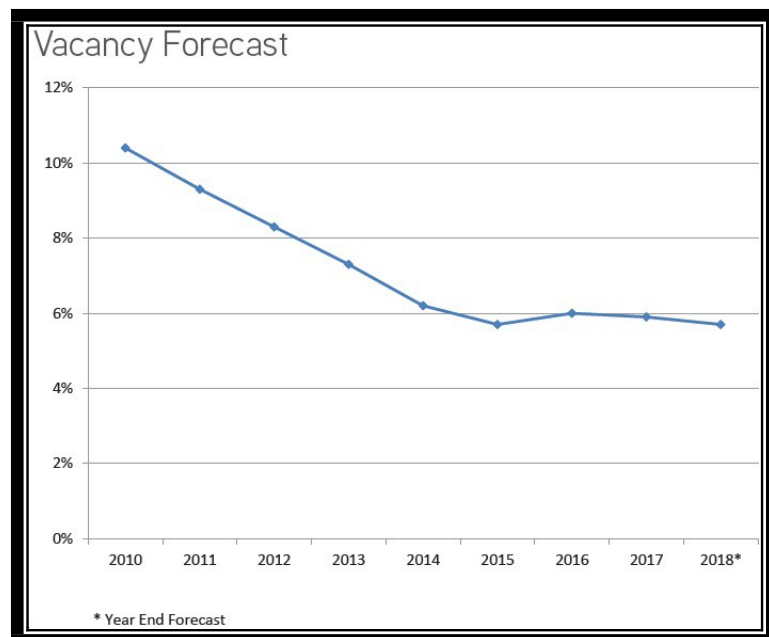
The following summary of the Greater Phoenix multi-family market relies in part on the Colliers International *Greater Phoenix Multi-Family Research & Forecast Report for the 2nd Quarter 2018*.

The Greater Phoenix multifamily market recorded a stronger second quarter than usual in 2018.



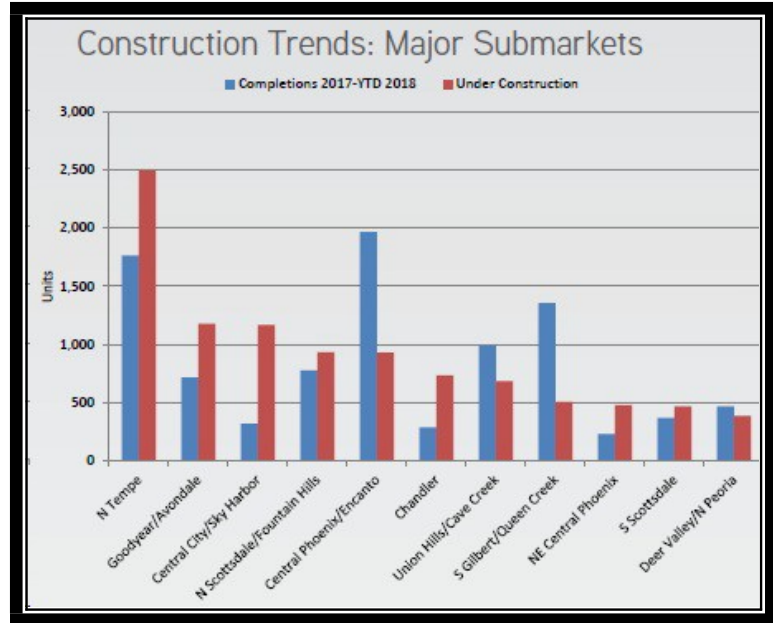
| Market Indicators Relative to prior period | Market Q2 2018 | Market Q2 2017 |
|---|-------------------|-------------------|
| Vacancy | ↑ | ↑ |
| Rents | ↑ | ↑ |
| Transaction Activity | ↑ | ↑ |
| Price Per Unit | ↑ | ↑ |
| Cap Rates | ↑ | ↓ |

| Summary Statistics | Phoenix Market |
|-----------------------------------|----------------|
| Vacancy Rate | 5.9% |
| Change from 2Q 2017 (bps) | 0 |
| Asking Rents (per month) | \$1,046 |
| Change from 2Q 2017 | 7.1% |
| Median Sales Price (per unit YTD) | \$131,700 |
| Average Cap Rate (YTD) | 5.1% |

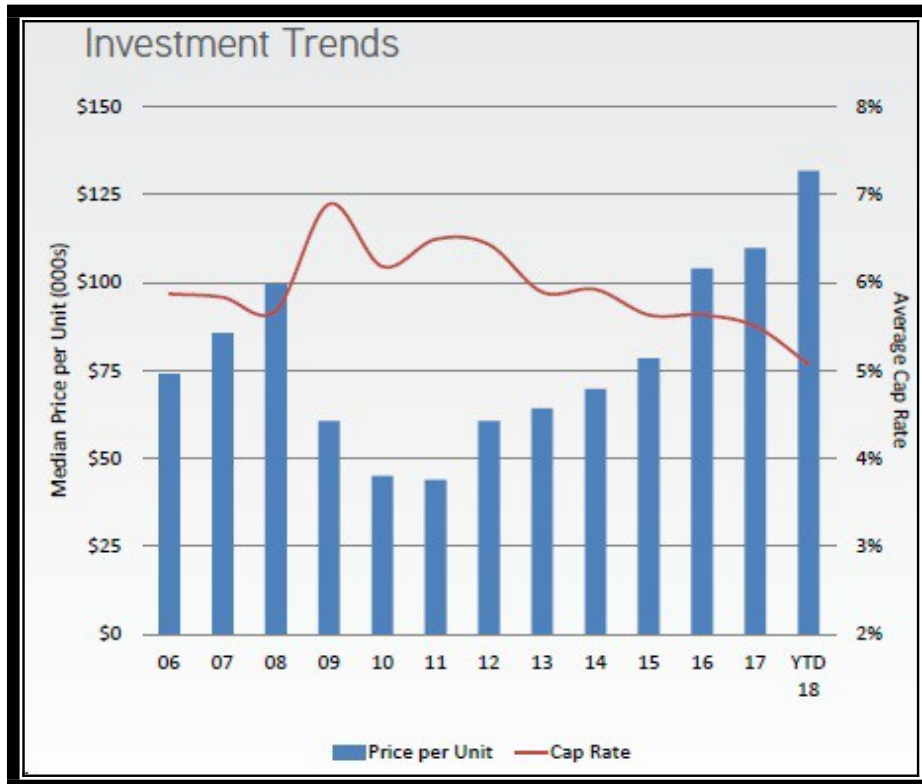


Apartment vacancy typically edges higher in the second quarter in Phoenix, as seasonal residents move to cooler climates. This trend repeated in 2018, with the rate creeping up 50 basis points, but absorption was fairly strong. Net absorption during the second quarter topped 700 units, up more than 35 percent from the same period in 2017. This proved to be the strongest second quarter for net absorption since 2010. With renter demand for units present in the market, the factor that drove vacancy higher during the second

quarter was new development. More than 2,300 units were delivered during the second quarter, and year-to-date completions are up 18 percent from the first half of 2017. Despite the recent deliveries, the development pipeline is quite full, with more than 11,000 units currently under construction across 19 submarkets. New development will be a significant force in the market for at least the next 24 months. Investment in the Greater Phoenix multifamily market was very strong during the second quarter, with activity surging and prices recording a steep rise. Some of the boost in pricing was due to the mix of properties that changed hands, particularly with some of the market's newest complexes trading. More than 20 percent of the properties that sold during the past three months were complexes that had been built since 2015. These projects traded at a median price of more than \$230,000 per unit during the second quarter, compared to a median price of approximately \$126,000



per unit for all other buildings sold during the quarter.



Summary

Most market sectors are showing improvement and steady growth. Barring new shocks to the market, the improving job situation and increasing immigration to the state should help to sustain the recovery that is in process.

[illegible]

www.delorme.com



$$1'' = 1,866.7 \text{ ft}$$

Data Zoom 13-2

NEIGHBORHOOD SUMMARY

Neighborhood

1. A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises. *See also* [market area](#). 2. A developed residential superpad within a master planned community usually having a distinguishing name and entrance.³

The intended users of the report are familiar with the subject's location and the geographical milieu in which it is located. The neighborhood description will not be belabored.

The subject property is located in south Scottsdale, and is under the jurisdiction of the City of Scottsdale. The neighborhood is defined by Chaparral Road on the north, McDowell Road on the south, Miller Road on the east, and 68th Street on the west. The neighborhood contains approximately three square miles.

The neighborhood is the epicenter of Scottsdale and includes Scottsdale City offices as well as shopping, lodging and entertainment venues for Scottsdale's thriving tourist industry. The neighborhood has some older commercial and multi-family development with some older housing stock in the interior of the neighborhoods. "Old Town" Scottsdale has an eclectic mix of service, commercial, entertainment, health-care and government uses. Much of the development dates to the 1950's and much is new, intense urban development including a plethora of dense housing product. Municipal utilities and infrastructure are adequate. There is a fire station at Indian School Road and Miller Road, approximately one mile northeast of the subject. The Scottsdale Police Department serves the neighborhood and headquarters are located less than one and one-half miles to the northeast. Scottsdale Healthcare - Osborn hospital serves the health care needs of neighborhood residents and is located slightly over one mile north of the subject, just east of Scottsdale Road, north of Osborn Road.

The subject is located just to the south of the "Old Town" area of downtown Scottsdale.

Surrounding Land Uses

The subject property is surrounded by commercial properties including bars, restaurants and hotels. In conclusion, the subject is located in a mature area of the city of Scottsdale, which is undergoing redevelopment. It has all services and infrastructure that would be expected in a major western metropolis.

³ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "neighborhood." (Chicago: Appraisal Institute, 2015), PDF e-book.

SITE DESCRIPTION

Location

The subject site is located on the northeast quadrant of Palm Lane and Scottsdale Road, in the city of Scottsdale. The address is 2001 North Scottsdale Road, Scottsdale, AZ 85251. There are three commercial lots fronting on Scottsdale that form the west boundary of the property, with the larger portion of the property being R1-7 zoned land on the east side of the alley.

Legal Description

The subject is legally described as a portion of Section 35, Township 2N, Range 4E, G&SRB&M, Maricopa County. A complete legal description for the subject property from the latest conveyance of the subject property is provided in the addendum.

Site Features

The subject site is an irregularly-shaped parcel. The site is approximately 245 feet wide from north to south along its western boundary along Scottsdale Road. It has a maximum north/south dimension of approximately 641 feet along its east side. The reader is referred to the assessor map and aerial photo, attached as exhibits, following the Site Description section of the report.

The site is improved with several small retail buildings and one single-family residence as of the date of inspection. The house does not appear to be occupied. One of the buildings appears to be used by a limousine service.

Adjacent Uses

| | |
|--------|--|
| North: | Single-family residential and commercial |
| East: | Retirement communities and churches |
| South: | Single-family residential and commercial |
| West: | Commercial |

Access

Primary access to the subject is via driveways from Scottsdale Road, Palm Lane and the alley to the north of the subject site. There are no medians in front of the subject property.

The nearest signalized intersection is at Scottsdale Road and McDowell Road, approximately 1/4 mile to the south. Loop 101 is at McDowell Road approximately two miles to the east. Public busses run along Scottsdale Road. Access to the subject is good.

Traffic Count

According to the City of Scottsdale's traffic count map, traffic in front of the subject property along Scottsdale Road was 37,700 VPD in 2016.

Title Report/Restrictions and Easements

No title report was provided by the client. No overhead transmission lines or evidence of other transmission line easements were observed during the inspection. It is assumed that there are no unusual easements or restrictions that would have a material effect on the subject's market value.

Utilities

The utilities that are available to the subject site are shown below.

| | |
|-----------------|-----------------------------------|
| Gas: | Southwest Gas |
| Electricity: | SRP |
| Water: | City of Scottsdale |
| Sewer: | City of Scottsdale |
| Trash Disposal: | City of Scottsdale or private |
| Telephone: | Centurylink and cellular services |

All available utility services are reported to be adequate.

Environmental

A Phase I environmental study was not supplied by the client. No evidence of environmental problems was noted during the inspection of the subject; however, we are not trained to detect environmental contamination. The opinion of value assumes the property is free and clear of any environmental problems.

Topography/Soils

The subject site is level. There was no evidence of puddling or flooding on the subject site. Based on nearby development, there do not appear to be any soil problems. There are very few soil problems in the Phoenix metro area aside from some subsidence issues in the far southeast portion of the Valley.

Zoning/Allowed Property Use

The portion of the subject property that fronts on Scottsdale Road is zoned C-3, Highway Commercial District, by the City of Scottsdale. According to the City's zoning ordinance, C-3 zoning is intended to permit most types of commercial activities and includes the sale of commodities or performance of services for a larger segment of population than the average neighborhood. This district is designed for application on major streets or portions thereof.

Permitted uses in a C-3 zone include, but are not limited to, business and professional services and offices such as; business schools, hospitals for animals, medical or dental offices including a laboratory, museum, optician, municipal uses, and private and charter schools. The following retail sales are also permitted, among others; appliance store, art gallery, big box stores, bookstore, clothing store, department stores, drugstore, hardware store, liquor store, restaurants, hotels, and movie theaters. Churches and daycare centers are also permitted as other uses.

Some of the uses subject to a conditional use permit include; adult uses, bars, bus station, funeral home, pool hall, live entertainment, and plant nursery.

The performance standards for C-3 zoning are detailed in the following table.

| Floor Area Ratio | Required Setbacks | | |
|--------------------------|-------------------|----------------|-----------------|
| | Front Yard | Rear Yard (FT) | Side Yards (FT) |
| <80% of the net lot area | None | 25 or 50 | 25 or 50 |

Source: Sec. 5.1404, Revised Code of the City of Scottsdale

An excerpt from the City of Scottsdale's zoning ordinance, detailing all of the permitted uses in a C-3 zone is provided in the addenda.

The portion of the subject which is located east of the alley to be abandoned (APN 131-19-002V) currently has R1-7, single-family residential district zoning. According to the City's zoning ordinance, R1-7 zoning is intended to promote and preserve urban single-family residential development.

Permitted uses in an R1-7 zone include a single-family dwelling. Uses incidental or accessory to dwellings, recreations, religious and educational facilities are included. Any use permitted in the R1-43 single-family district

Uses subject to a conditional use permit include any use permitted by conditional use permit in the R1-43 single-family residential district. R1-43 district conditional uses include golf courses, cemeteries, wireless communication facilities, farms and private school facilities. Prior to any municipal use, or any use requiring a conditional use permit, Development Review Board approval must be obtained.

Building heights are generally limited to 30 feet. The minimum gross land area required per residential dwelling unit is 7,000 SF. The minimum distance between main buildings on adjacent lots shall not be less than 14 feet. A carport shall be set back a minimum of 10 feet from the front property line. At least 10 feet of separation is required between an accessory building and a main building.

An excerpt from the City of Scottsdale zoning ordinance, detailing all of the permitted uses in a R1-7 zone is provided in the addenda.

Flood Plain

The subject property is located in Zone "X" flood plain (Map #04013C2235L), effective October 16, 2013. Zone "X" is the area determined to be outside the 500-year flood and protected by levee from the 100-year flood. Flood insurance is not required in a Zone "X."

Functional Utility of Site

The site's functional utility is good for commercial or dense multi-family residential purposes. It has an arterial/minor corner location with access along its north, south and west sides. It is not located in a flood plain. It is an ell-shaped parcel.

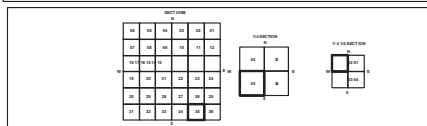
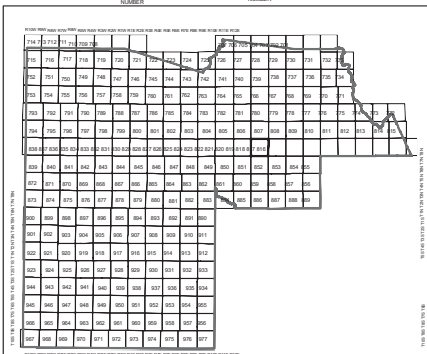
MARICOPA COUNTY

STATE OF ARIZONA

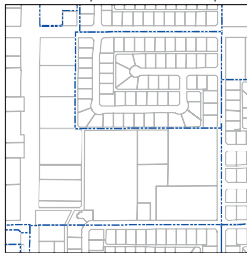
PT. SECTION 35 T02N R04E

825 - 35 - 03N - 02

TOWNSHIP & RANGE GRID NUMBER SECTION NUMBER 1/4 SECTION NUMBER 1/4 SECTION NUMBER



Parcels updated within this map



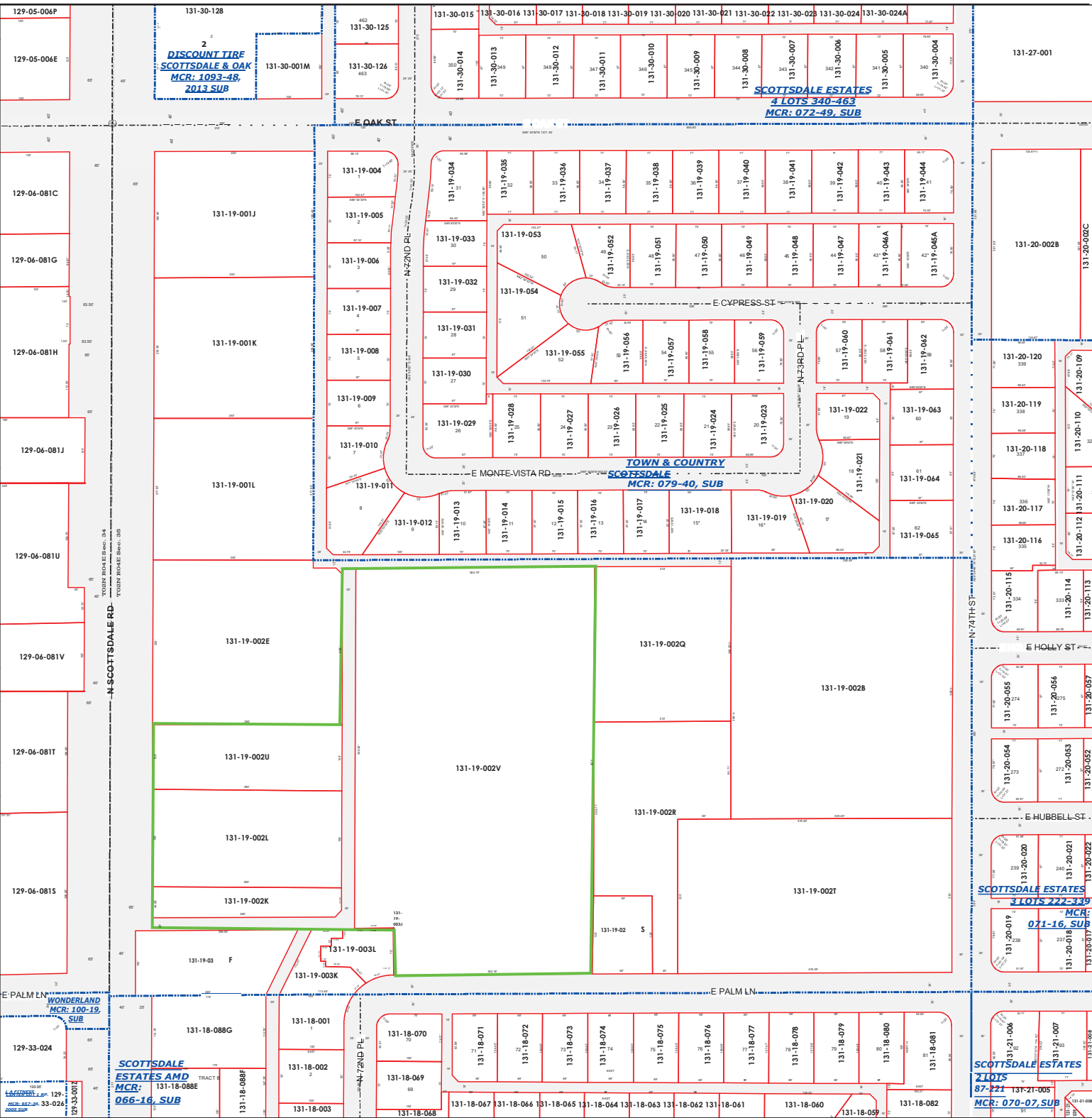
MARICOPA COUNTY
ASSESSOR'S OFFICE
301 W. Jefferson Street
Phoenix, AZ 85003
Date: 09/30/2013
<http://mcassessor.maricopa.gov/assessor/>

LEGEND: Parcels Subdivisions Centerlines Section Corners

Disclaimer - Indemnification
CAUTION! USERS SHOULD INDEPENDENTLY RESEARCH AND VERIFY INFORMATION WITHIN THIS DATASET OR MAP BEFORE RELYING ON IT.

The Assessor's Office has compiled information within this dataset or map that it uses to identify, classify, and value real and personal property. Please contact the Assessor's Office at 602 506-3406 if you believe any information is incomplete, out-of-date, or incorrect so that appropriate corrections can be addressed. Please note that a statutory process is also available to correct errors pursuant to Arizona Revised Statutes 42-16254.

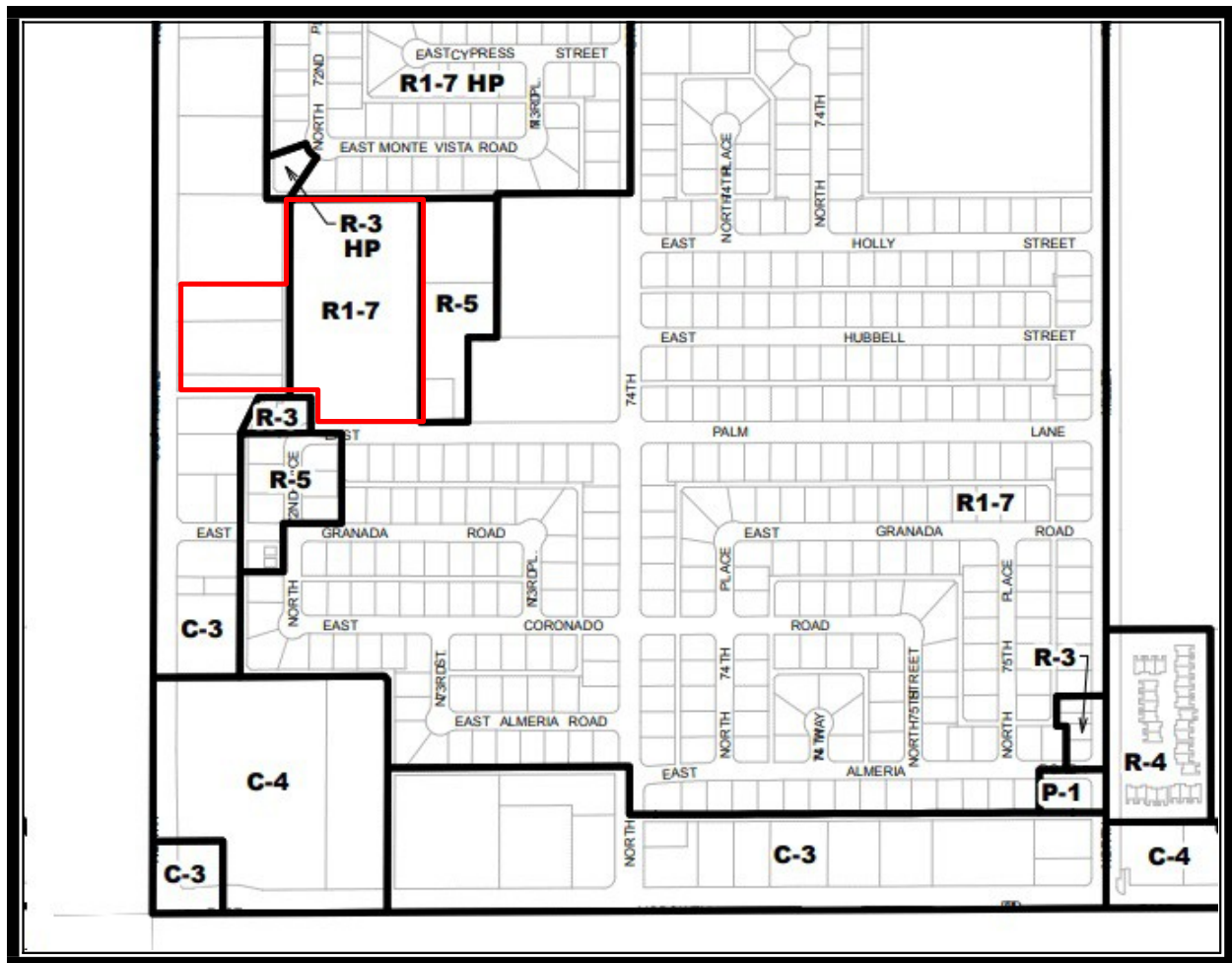
The Assessor does not guarantee that any information contained within this dataset or map is accurate, complete or current. In many instances, the Assessor has gathered information from independent sources and made it available within this dataset or map, and the original information may have contained errors and omissions. Errors and omissions may have occurred in the process of gathering, interpreting, and reporting the information. Information within this dataset or map is not updated "real time." In addition, Users are cautioned that the process used within this dataset or map to illustrate the boundaries of adjacent parcels is not always consistent with the recorded documents for such parcels. The parcel boundaries depicted within this dataset or maps are for illustrative purposes only, and the exact relationship of adjacent parcels should be independently researched and verified. The information provided within this dataset or map is not the equivalent of a title report or a real estate survey. Users should independently research, investigate, and verify all information before relying on it or using it in the preparation of legal documents.



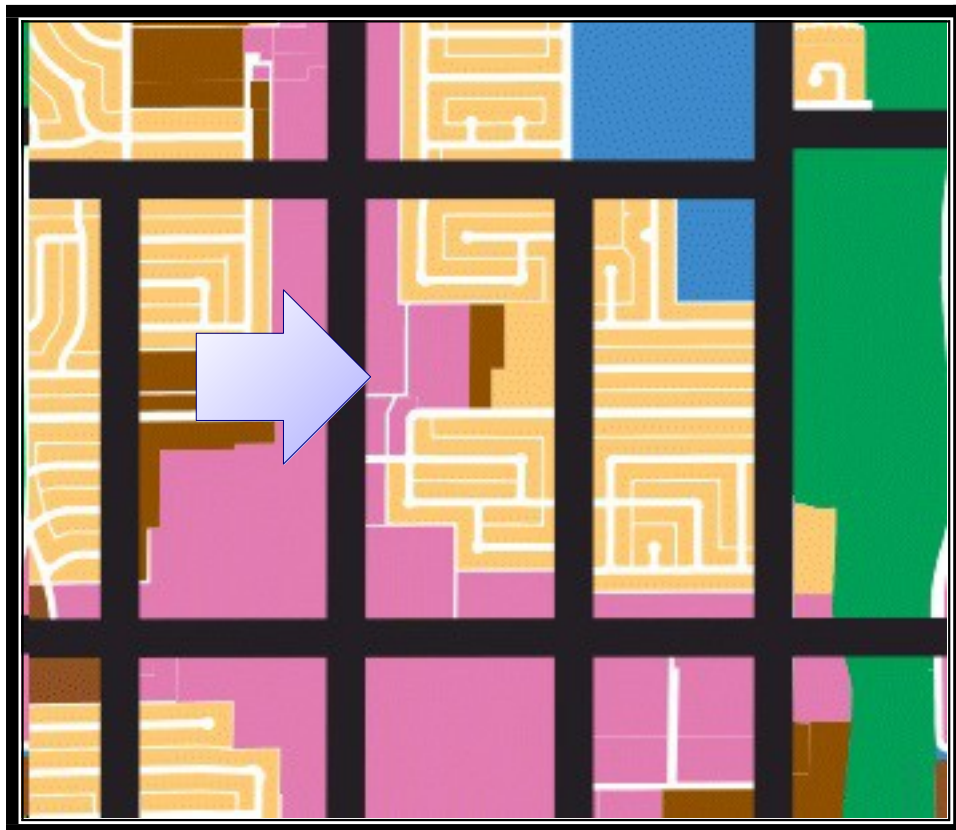
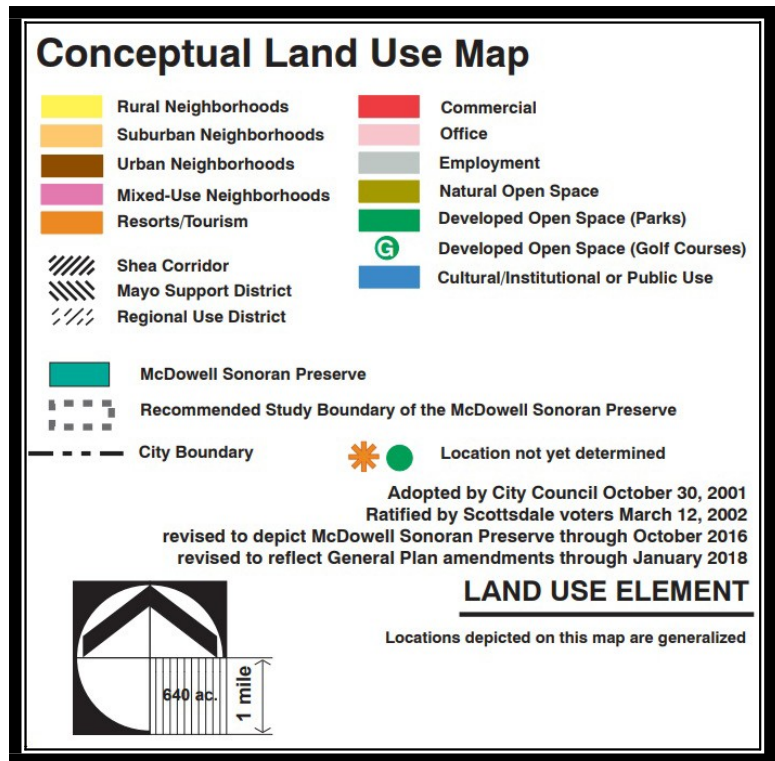
Aerial Photograph



Zoning Map



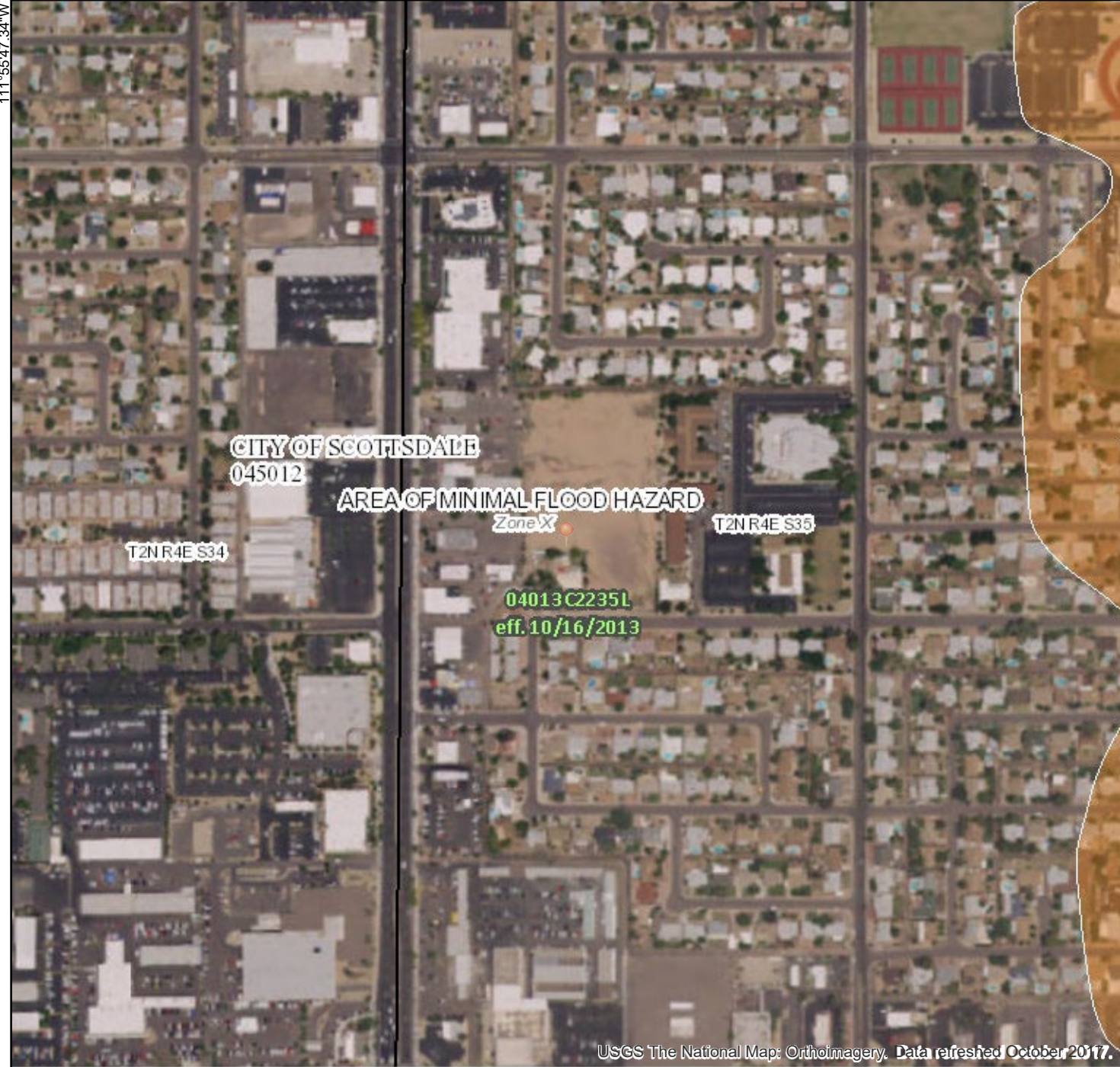
General Plan Map



National Flood Hazard Layer FIRMette



33°28'27.33"N



0 250 500 1,000 1,500 2,000 Feet

1:6,000

33°27'57.31"N

Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

| | | |
|-----------------------------|--|--|
| SPECIAL FLOOD HAZARD AREAS | | Without Base Flood Elevation (BFE) Zone A, V, A99 |
| | | With BFE or Depth Zone AE, AO, AH, VE, AR |
| | | Regulatory Floodway |
| OTHER AREAS OF FLOOD HAZARD | | 0.2 % Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone X |
| | | Future Conditions 1% Annual Chance Flood Hazard Zone X |
| | | Area with Reduced Flood Risk due to Levee. See Notes. Zone X |
| | | Area with Flood Risk due to Levee Zone D |
| OTHER AREAS | | NO SCREEN Area of Minimal Flood Hazard Zone X |
| | | Effective LOMRs |
| | | Area of Undetermined Flood Hazard Zone D |
| GENERAL STRUCTURES | | Channel, Culvert, or Storm Sewer |
| | | Levee, Dike, or Floodwall |
| OTHER FEATURES | | 20.2 Cross Sections with 1% Annual Chance Water Surface Elevation |
| | | 17.5 |
| | | Coastal Transect |
| | | Base Flood Elevation Line (BFE) |
| | | Limit of Study |
| | | Jurisdiction Boundary |
| OTHER FEATURES | | Coastal Transect Baseline |
| | | Profile Baseline |
| | | Hydrographic Feature |
| MAP PANELS | | Digital Data Available |
| | | No Digital Data Available |
| | | Unmapped |



The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 9/4/2018 at 4:20:22 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

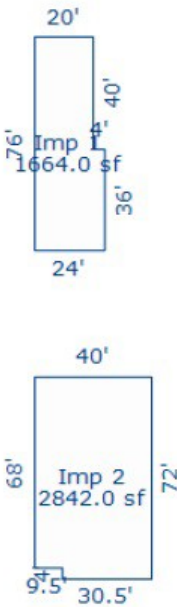
Ü

DESCRIPTION OF IMPROVEMENTS

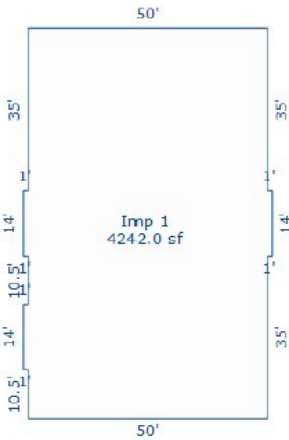
The subject property is comprised of four tax parcels as described below. The information presented is from the Maricopa County Assessor's Office.

| Address | APN | Description | SF GBA | Year Built |
|----------------------------|------|--|--------|------------|
| 2001 North Scottsdale Road | 002K | Industrial Flex Building and Office Building | 4,506 | 1968-1970 |
| 2003 North Scottsdale Road | 002L | Restaurant | 4,242 | 1980 |
| 2007 North Scottsdale Road | 002U | Multiple Residence and Fast Food Restaurant | 4,837 | 1970-1990 |
| 7242 East Palm Lane | 002V | SFR | 1,692 | 1,957 |

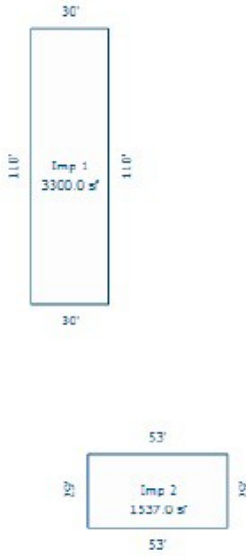
002K



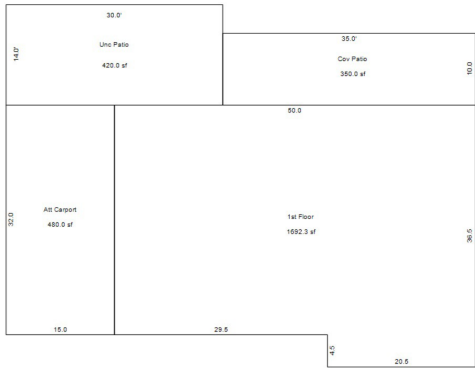
002L



002U



002V



REAL ESTATE TAXES & FULL CASH VALUE

The taxing authority for the subject is Maricopa County. The subject is identified by tax assessor number 131-19-002K, 002L, 002U and 002V.

Assessed valuations are based on "limited and full cash values" estimated by county assessors. Tax rates will vary throughout the county. Assessed valuations are multiplied by both primary and secondary rates. Resulting real estate taxes are a total of both rates applied to primary and secondary assessed valuations. The primary rate includes the State of Arizona, Maricopa County, school district and college funds. The secondary rate accounts for flood zone, CAWCD, bonds, overrides, volunteer fire department and library funds. The assessor uses the Market Approach to value vacant land. The total estimate is called the Full Cash Value (FCV) and it is synonymous with market value according to state statute. It may or may not approximate actual market value since the assessor uses mass formula techniques for these determinations. The assessor values are determined for ad valorem tax purposes. The value ascribed may or may not be related to the fair market value for the subject property.

Taxes and Full Cash Value (FCV)

A four-year tax and assessment history is provided for the privately-owned portion of the subject property below.

| <u>Address</u> | <u>APN</u> | <u>2015 FCV</u> | <u>2016 FCV</u> | <u>2017 FCV</u> | <u>2018 FCV</u> |
|----------------------------|------------|--------------------|--------------------|--------------------|--------------------|
| 2001 North Scottsdale Road | 002K | \$254,900 | \$290,000 | \$327,600 | \$392,200 |
| 2003 North Scottsdale Road | 002L | \$589,200 | \$660,800 | \$771,400 | \$864,500 |
| 2007 North Scottsdale Road | 002U | \$547,900 | \$612,100 | \$688,900 | \$845,400 |
| 7242 East Palm Lane | 002V | <u>\$516,100</u> | <u>\$471,000</u> | <u>\$541,200</u> | <u>\$504,700</u> |
| Total | | \$1,064,000 | \$1,083,100 | \$1,230,100 | \$1,350,100 |

| <u>Address</u> | <u>APN</u> | <u>2015 Taxes</u> | <u>2016 Taxes</u> | <u>2017 Taxes</u> | <u>2018 Taxes</u> |
|----------------------------|------------|-------------------|-------------------|-------------------|-------------------|
| 2001 North Scottsdale Road | 002K | \$6,429.94 | \$6,651.32 | \$6,782.88 | \$7,082.22 |
| 2003 North Scottsdale Road | 002L | \$9,595.36 | \$9,808.40 | \$10,002.36 | \$10,443.88 |
| 2007 North Scottsdale Road | 002U | \$4,287.51 | \$4,382.64 | \$4,469.34 | \$4,666.60 |
| 7242 East Palm Lane | 002V | <u>\$3,126.48</u> | <u>\$3,253.76</u> | <u>\$3,319.82</u> | <u>\$3,512.38</u> |
| Total | | \$7,413.99 | \$7,636.40 | \$7,789.16 | \$8,178.98 |

HIGHEST AND BEST USE SUMMARY

Highest and best use may be defined as:

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)

3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions).⁴

The definition of highest and best use indicates that there exist two types of highest and best use. The first type is the highest and best use of the land or site "as if vacant." The second is the highest and best use "as improved." Moreover, in each case the existing use may or may not be different from the site's highest and best use.

The determination of highest and best use results from the appraiser's judgment and analytical skills. The eventual use determined from the analysis represents an opinion, or conclusion, rather than an absolute fact. To determine the highest and best use, four criteria must be considered sequentially. For a use to be the highest and best use, it must be:

- 1) Legally permissible
- 2) Physically possible
- 3) Financially feasible
- 4) Maximally productive

AS IF VACANT

⁴Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "highest and best use." (Chicago: Appraisal Institute, 2015), PDF e-book.

Legally Permissible

The subject property is zoned C-3, Highway Commercial and R1-7, single-family residential district by the City of Scottsdale. This zoning is consistent with the City's General Land Use Plan map, which shows the subject in an area intended for mixed use neighborhood uses.

It is my opinion that uses legally and potentially permitted per the City of Scottsdale, which are generally in conformance with similar uses in the neighborhood, would tend to support the highest and best use of the land, provided that such uses are physically possible and financially feasible for the subject site.

Physically Possible

As if vacant and available for its highest and best use, the subject property contains approximately 7.59 net acres of land area according to figures provided by the client. A soil report was not provided to the appraiser. This is typical in the Phoenix metro area as there are very few soil problems. Based on the inspection, which included a visual observation of the site and surrounding development, there do not appear to be any soil problems. A Phase I environmental study was not supplied by the client. No evidence of environmental problems was noted during the inspection of the subject. The opinion of value assumes the property is free and clear of any environmental problems. The subject is not located in a flood plain. All utilities are available.

The subject parcel has an ell shape has frontage on Scottsdale Road and Palm Lane. Access to the subject site is good. The site appears to be suitable for potential allowable uses within the physical constraints indicated herein. The site size, shape and location appear to be well-suited for commercial uses.

The site appears to be suitable for potential allowable uses within the physical constraints indicated herein. The site size, shape and location appear to be well-suited for high-density residential development, offices, motels, government centers or other uses appropriate for an intense urban area.

Given the location and zoning of the subject, and the General Plan designation, a mixed use development of the site would be legally permissible and physically possible.

Financially Feasible

All projections show ever increasing population and employment growth for the Phoenix Metro area, which will increase the need for commercial, industrial and residential uses in the area generally and including the subject's immediate neighborhood. Mid-rise residential infill projects are becoming more frequent and there appears to be adequate demand as many older properties are being razed for new residential developments.

Maximally Productive & Conclusion - As If Vacant

Given the forgoing considerations with respect to the legally permissible, physically possible and financially feasible criteria, the highest and best use of the subject site "as if vacant" would be for a mixed-use development.

AS IMPROVED

The subject is marginally improved. The highest and best use is to raze the improvements for a new mixed-use development to capitalize on the site's good frontage and location.

As stated in the definition of highest and best use, the conclusion of highest and best use does not represent an absolute fact. Rather, the conclusion is the most reasonable and probable conclusion based on market research. The subject property is ripe for redevelopment. The most probable buyer is a mixed-use developer.

VALUATION PROCESS

Typically, the market value of real estate can be estimated by applying three approaches: cost, sales comparison and income. This is a narrative appraisal report.

COST APPROACH: A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.⁵

Since the subject property is appraised "as if vacant," the cost approach is not applicable.

SALES COMPARISON APPROACH: The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.⁶ The sales comparison approach to value will be employed to value the subject site. It will be appraised "as if vacant."

INCOME APPROACH Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.⁷ The subject site is appraised "as if vacant." The income approach is not applicable.

⁵ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "cost approach." (Chicago: Appraisal Institute, 2015), PDF e-book.

⁶ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "sales comparison approach." (Chicago: Appraisal Institute, 2015), PDF e-book.

⁷ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "income capitalization approach." (Chicago: Appraisal Institute, 2015), PDF e-book.

LAND VALUATION

The subject site will be valued using the sales comparison approach. The sales comparison approach provides an estimate of market value by comparing recent sales of similar properties in the surrounding or competing areas to the subject property. Inherent in this approach is the principle of substitution which holds that "when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based."⁸

By analyzing sales which qualify as arms'-length transactions with reasonable market exposure between willing and knowledgeable buyers and sellers, price trends can be identified from which value parameters may be extracted. Comparability in physical, locational and economic characteristics represent important criteria in analyzing the sales in relation to the subject property. The basic steps involved in the application of this approach are as follows:

1. *Researching recent, relevant sales throughout the competitive area for sales similar to the subject property;*
2. *Selecting properties considered most comparable to the subject, and then analyzing the selected comparable properties giving consideration to the date of sale and any change in economic conditions which may have occurred since the date of value. Other relevant factors of a physical, functional or locational nature are also considered as well as the interest conveyed;*
3. *Reducing the sales price to common units of comparison as indicated by the market;*
4. *Making appropriate adjustments between the comparable properties and the subject property; and,*
5. *Interpreting the adjusted sales data and reaching a valid conclusion of market value.*

To apply this approach to value, the market was searched for land sales considered to be the most similar in terms of location, size, highest and best use, zoning, etc. The sales were analyzed and adjusted for differences between the subject and the comparable. The subject is a parcel of land with mixed zoning and marginal improvements. It is located at the northeast quadrant of Scottsdale Road and Palm Lane in Scottsdale. It contains 330,656 SF of land area. The General Plan shows the subject in an area intended for mixed use neighborhoods which includes hotels and multi-family residential product.

⁸Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "substitution." (Chicago: Appraisal Institute, 2015), PDF e-book.

The unit of comparison used for the subject site is price per SF, as this is the unit commonly used by market participants in the subject's market. Finally, the sales are reconciled into a final indication of market value. The basic elements of comparison have been considered in the adjustment process.

A grid detailing the salient details of the sales are presented on the following page, followed by a location map.

These are the best available sales based on the market research. The sales were all fee simple transactions which were found to be arms'-length. The sales were verified with a broker or a party to the sale when possible. In addition, every sale was verified with recorded and notarized documents, which included the sale price.

VACANT LAND COMPARABLE NUMBER 1



Property Identification Data

| | |
|-------------------------------|--|
| Location: | 7312 East Thomas Road, Scottsdale |
| Legal Description: | Portion of Section 26, T2N, R4E, G&SRB&M |
| Assessor's Tax Parcel Number: | 130-18-029 |

Sale Data

| | |
|------------------------------|--------------|
| Conditions of Sale: | Arms'-length |
| Sale Price: | \$950,000 |
| Financing Terms: | Seller loan |
| Cash Equivalency Adjustment: | N/A |
| Cash Equivalent Price: | \$950,000 |
| Unit Price: | \$25.88/SF |
| Date of Sale: | January 2017 |

| | |
|-------------------------|---|
| Date of Sale Recording: | January 17, 2017 |
| Instrument Type: | Special warranty deed |
| Instrument Number: | 2017-0036409 |
| Seller: | Diamondback Commons, LLC |
| Buyer: | Krista R. Corporation |
| Confirmed By: | Roger Dunlap |
| Confirmed With: | Zach Kottlet, broker with LevRose Real Estate (480) 294-6003 |
| Date Inspected: | September 25, 2018 and previous occasions. |
| Sales History: | No previous sales reported. The property was platted in 2006. |

Site Data

| | |
|----------------|--|
| Shape: | Rectangular |
| Size: | ± 36,711 SF or .84 acres per subdivision plat |
| Zoning: | PUD |
| Frontage: | 160' along the north side of Thomas Road |
| Traffic Count: | 30,800 VPD along Thomas Road (2016) per City of Scottsdale traffic count map |
| Legal Access: | Yes |
| Visibility: | Average |
| Topography: | Level |
| Flood Zone: | X |
| Utilities: | All to site |
| Off Sites: | Paved streets, curbs and gutters |

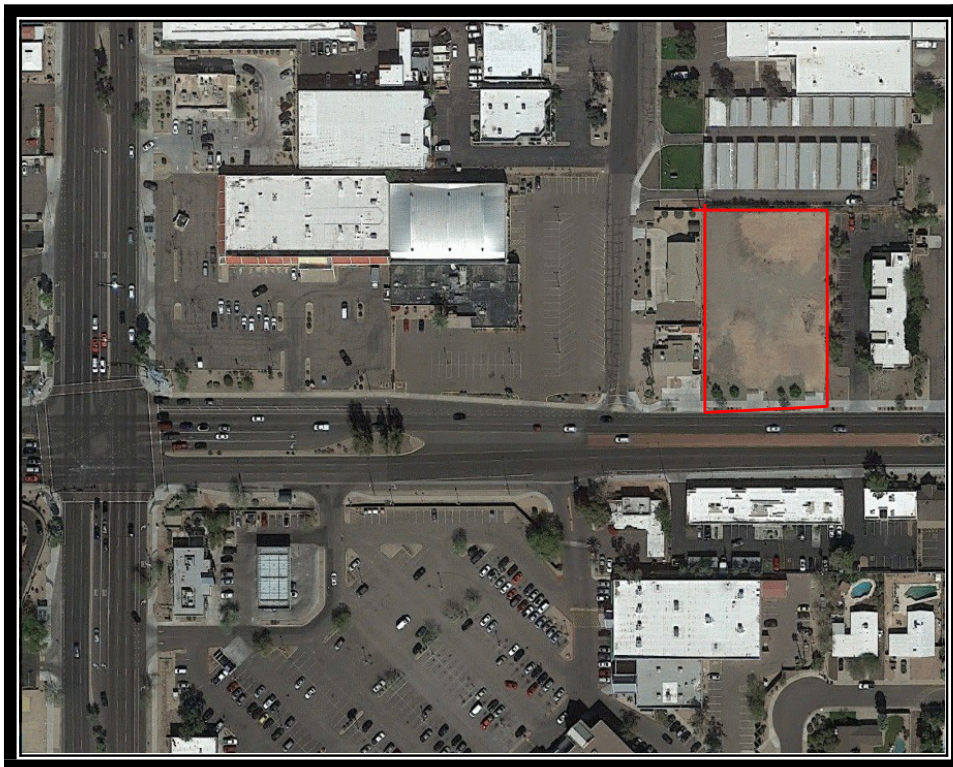
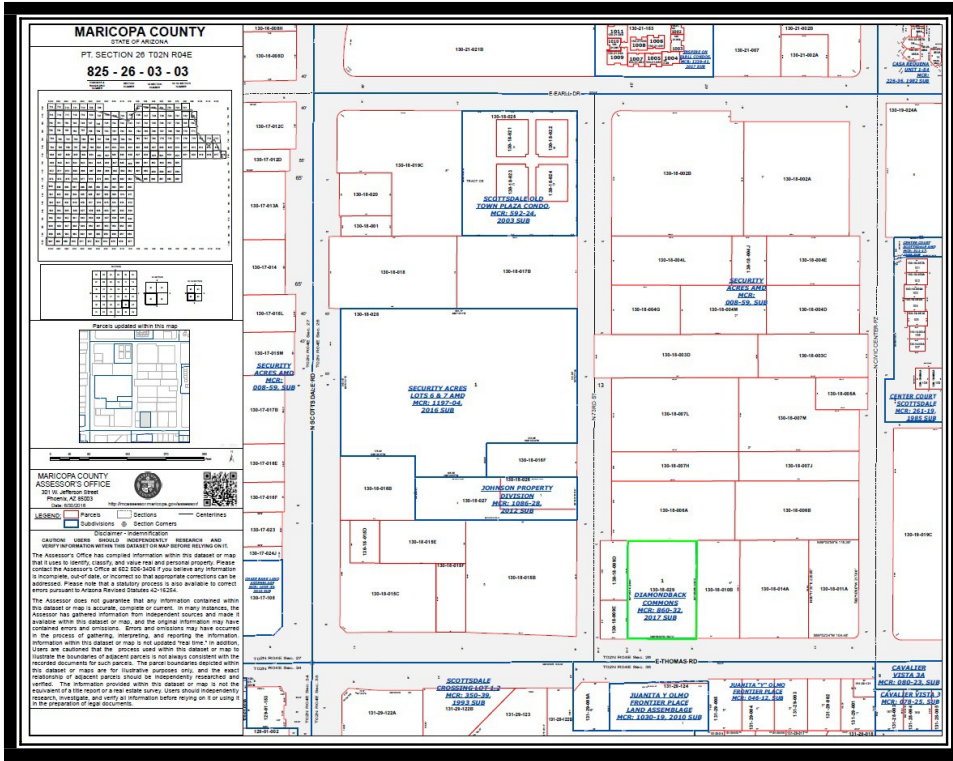
Site Utility: Good

Highest and Best Use: Commercial development

Comments:

The sale property is slated for development with a three-story, limited services (Country Inn) hotel with 44 guest rooms and two condominium units for sale. The sale price equates to \$20,652/key.

Assessor Map & Aerial Photograph - Land Sale 1



VACANT LAND COMPARABLE NUMBER 2



Property Identification Data

| | |
|-------------------------------|---|
| Location: | 8701 East McDowell Road, Scottsdale |
| Legal Description: | Portion of Section 1, T1N, R4E, G&SRB&M |
| Assessor's Tax Parcel Number: | 131-07-560 |

Sale Data

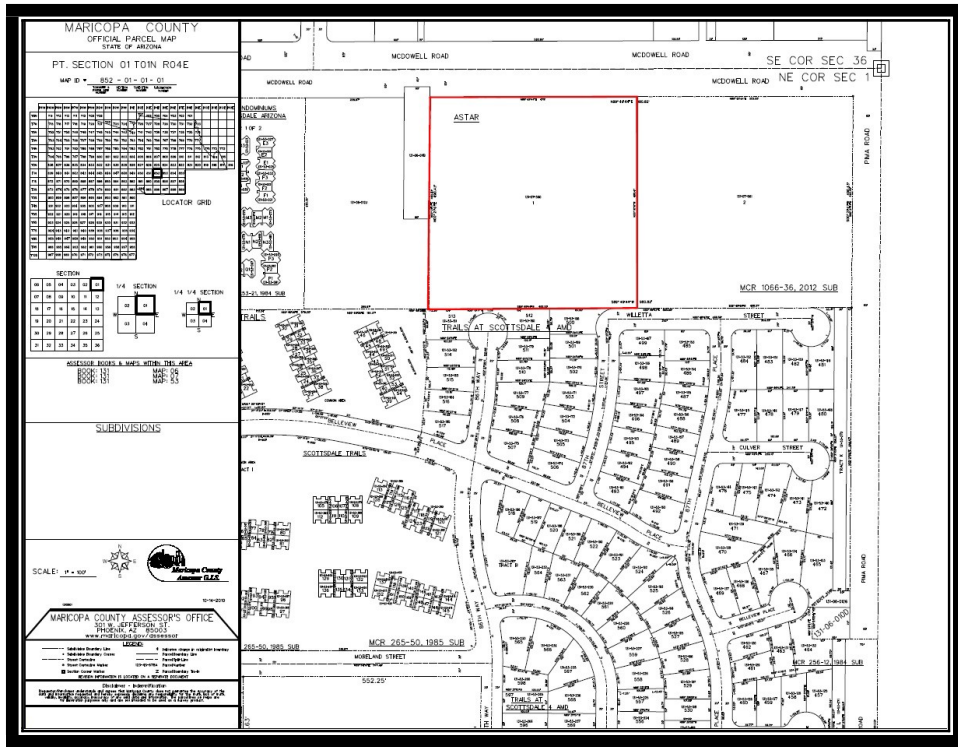
| | |
|------------------------------|-----------------------|
| Conditions of Sale: | Arms'-length |
| Sale Price: | \$3,265,000 |
| Financing Terms: | Cash |
| Cash Equivalency Adjustment: | N/A |
| Cash Equivalent Price: | \$3,265,000 |
| Unit Price: | \$13.85/SF |
| Date of Sale: | April 2017 |
| Date of Sale Recording: | April 26, 2017 |
| Instrument Type: | Special warranty deed |

| | |
|-------------------------|--|
| Instrument Number: | 2017-0298582 |
| Seller: | SD COCO, LLC |
| Buyer: | Southwest Next Land Fund I, LLC and HV and Canal, LLC |
| Date Inspected: | September 25, 2017 and other occasions |
| Sales History: | No other reported sales |
| <u>Site Data</u> | |
| Shape: | Rectangular |
| Size: | ± 235,660 SF or 5.41 acres |
| Zoning: | C-4 |
| Frontage: | 478 feet along the south side of McDowell Road |
| Traffic Count: | 28,000 VPD (2016) per City of Scottsdale traffic count map |
| Legal Access: | Yes |
| Visibility: | Average |
| Topography: | Level |
| Flood Zone: | X |
| Utilities: | All to site |
| Off Sites: | Paved streets, curbs and gutters |
| Site Utility: | Good |
| Highest and Best Use: | Commercial development |

Comments:

The sale property was improved with a car dealership that was built in 2007 and was used only briefly.

Assessor Map & Aerial Photograph - Land Sale 2



VACANT LAND COMPARABLE NUMBER 3



Property Identification Data

| | |
|-------------------------------|--|
| Location: | 3220 North Scottsdale Road, Scottsdale |
| Legal Description: | Portion of Section 27,T2N,R4E, G&SRB&M |
| Assessor's Tax Parcel Number: | 130-16-006A |

Sale Data

| | |
|------------------------------|--------------|
| Conditions of Sale: | Arms'-length |
| Sale Price: | \$16,500,000 |
| Financing Terms: | Cash |
| Cash Equivalency Adjustment: | N/A |
| Cash Equivalent Price: | \$16,500,000 |
| Unit Price: | \$89.89/SF |
| Date of Sale: | June 2017 |

| | |
|-------------------------|--|
| Date of Sale Recording: | June 9, 2017 |
| Instrument Type: | Special warranty deed |
| Instrument Number: | 2017-0420630 |
| Seller: | D.L. Chapman Separate Property Trust et al. |
| Buyer: | CRP/WP Scottsdale Owner, L.L.C. |
| Date Inspected: | October 31, 2017 |
| Sales History: | No other reported sales within the previous five years |

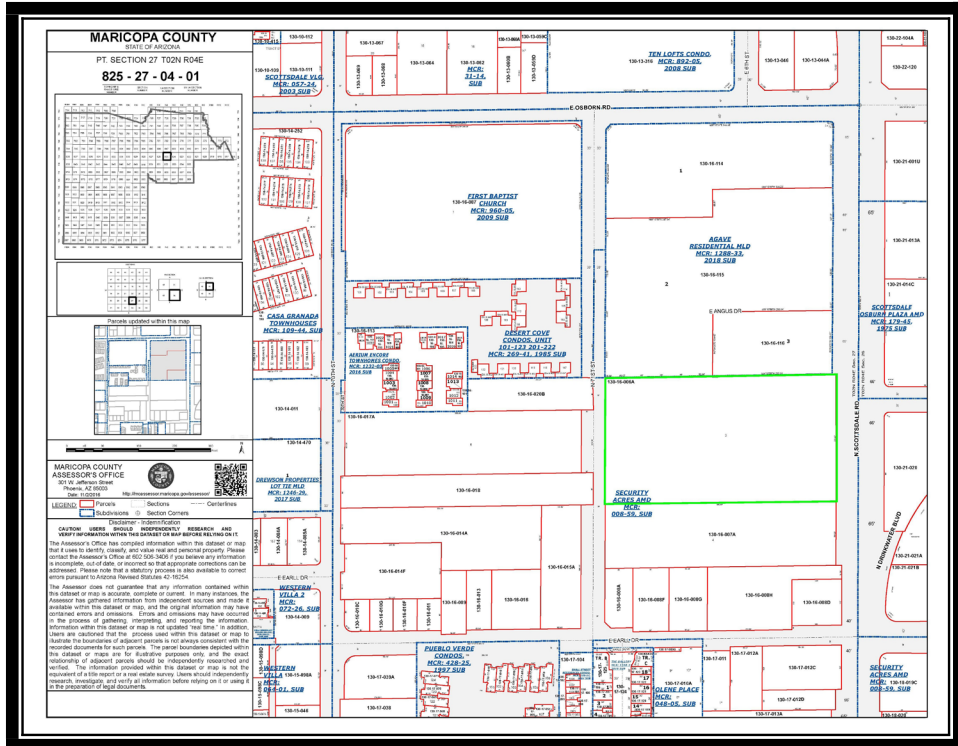
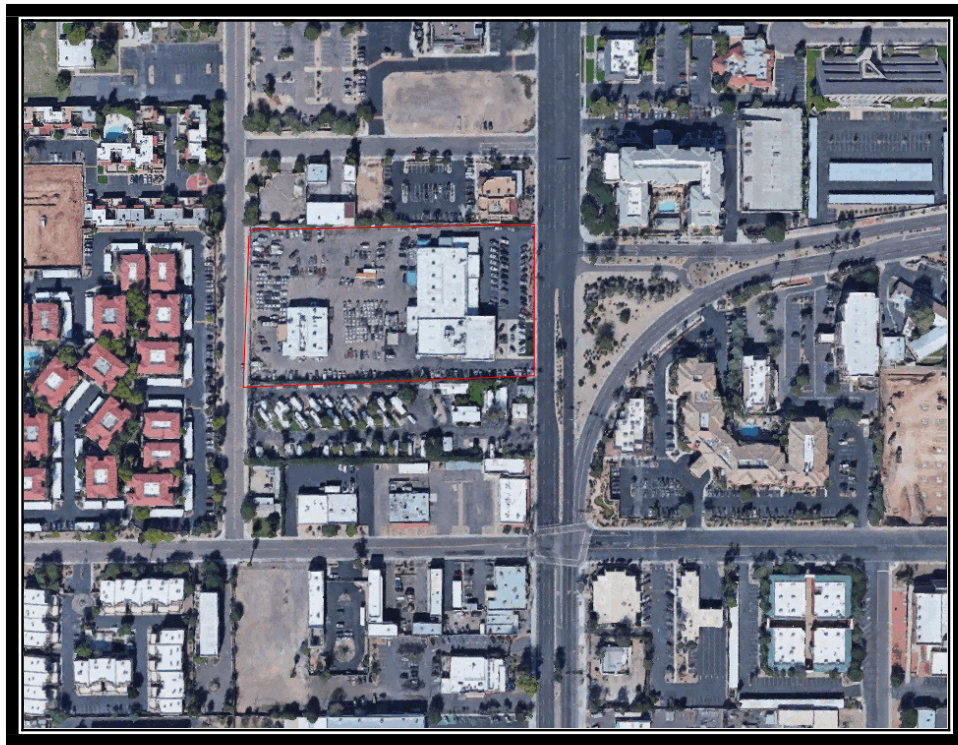
Site Data

| | |
|-----------------------|----------------------------------|
| Shape: | Rectangular |
| Size: | ±183,562 SF or 4.21 acres |
| Zoning: | D/DMU-2, PBD, DO |
| Legal Access: | Yes |
| Visibility: | Average |
| Topography: | Level |
| Flood Zone: | X |
| Utilities: | All to site |
| Off Sites: | Paved streets, curbs and gutters |
| Site Utility: | Good |
| Highest and Best Use: | Commercial development |

Comments:

The sale property is a former automobile dealership. The buyer is a joint venture formed by Wood Partners. The property is approved for 277 apartments. The project (“Alta Drinkwater”) will have one, two and three-bedroom units ranging in size from 700 to 1,550 SF and will wrap a parking garage. The property is nearing completion. Advertised rents are \$1,236 to \$2,979/month.

Assessor Map & Aerial Photograph - Land Sale 3



VACANT LAND COMPARABLE NUMBER 4



Property Identification Data

| | |
|-------------------------------|---|
| Location: | 7010 East Continental Drive, Scottsdale |
| Legal Description: | Portion of Section ,T N, R E, G&SRB&M |
| Assessor's Tax Parcel Number: | 129-13-001A and 005A |

Sale Data

| | |
|------------------------------|-----------------------|
| Conditions of Sale: | Arms'-length |
| Sale Price: | \$7,950,000 |
| Financing Terms: | Cash |
| Cash Equivalency Adjustment: | N/A |
| Cash Equivalent Price: | \$7,950,000 |
| Unit Price: | \$19.44/SF |
| Date of Sale: | April 2017 |
| Date of Sale Recording: | July 6, 2018 |
| Instrument Type: | Special warranty deed |

| | |
|--------------------|--|
| Instrument Number: | 2018-0512988 |
| Seller: | MHP Scottsdale L.L.C. |
| Buyer: | Taylor Morrison/Arizona, Inc. |
| Confirmed By: | Roger Dunlap |
| Confirmed With: | <u>Business Real Estate Weekly</u> |
| Date Inspected: | September 25, 2018 |
| Sales History: | The property sold in December 2014 for \$3,675,000 or \$8.98/SF. |

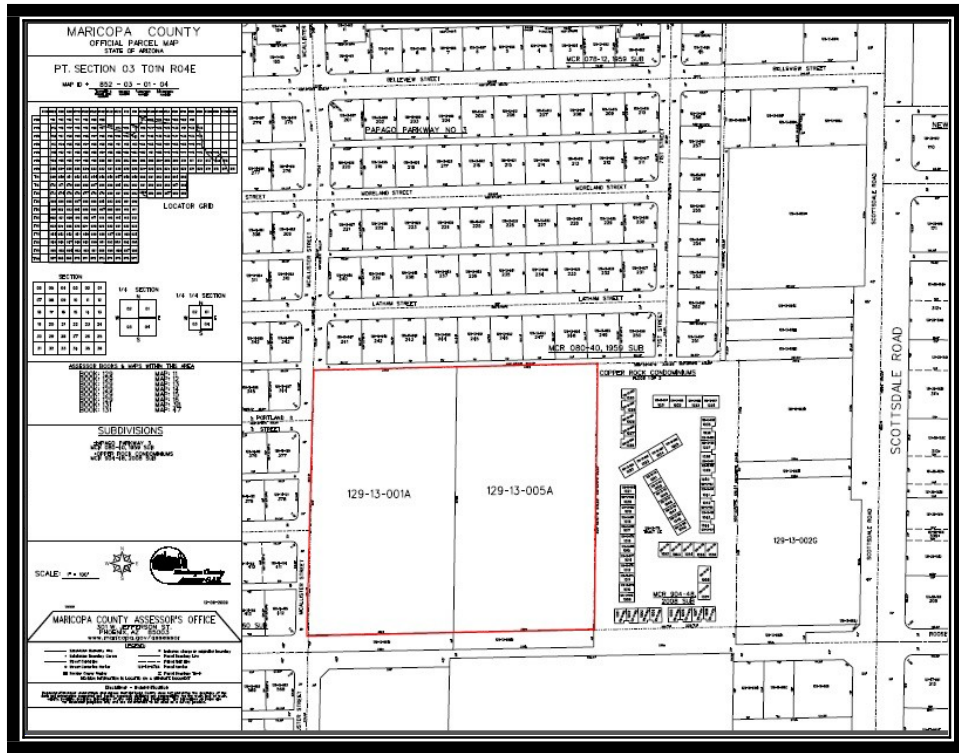
Site Data

| | |
|-----------------------|--|
| Shape: | Rectangular |
| Size: | ± 409,028 SF or 9.39 acres |
| Zoning: | R-5 |
| Frontage: | About 620 feet along the north side of Continental Drive and about 620 feet along the west side of 70 th Street |
| Traffic Count: | 3,100 ADT (2016) along Continental Drive per City of Scottsdale traffic count map. |
| Legal Access: | Yes |
| Visibility: | Average |
| Topography: | Level |
| Flood Zone: | X |
| Utilities: | All to site |
| Off Sites: | Paved streets, curbs and gutters |
| Site Utility: | Good |
| Highest and Best Use: | Residential development |

Comments:

According to Business Real Estate Weekly, the sale property is slated for development with 65 lots, called North 70. Residences will be two-storey with 1,600 - 2,400 SF and ranging in price from the low \$400,000's.

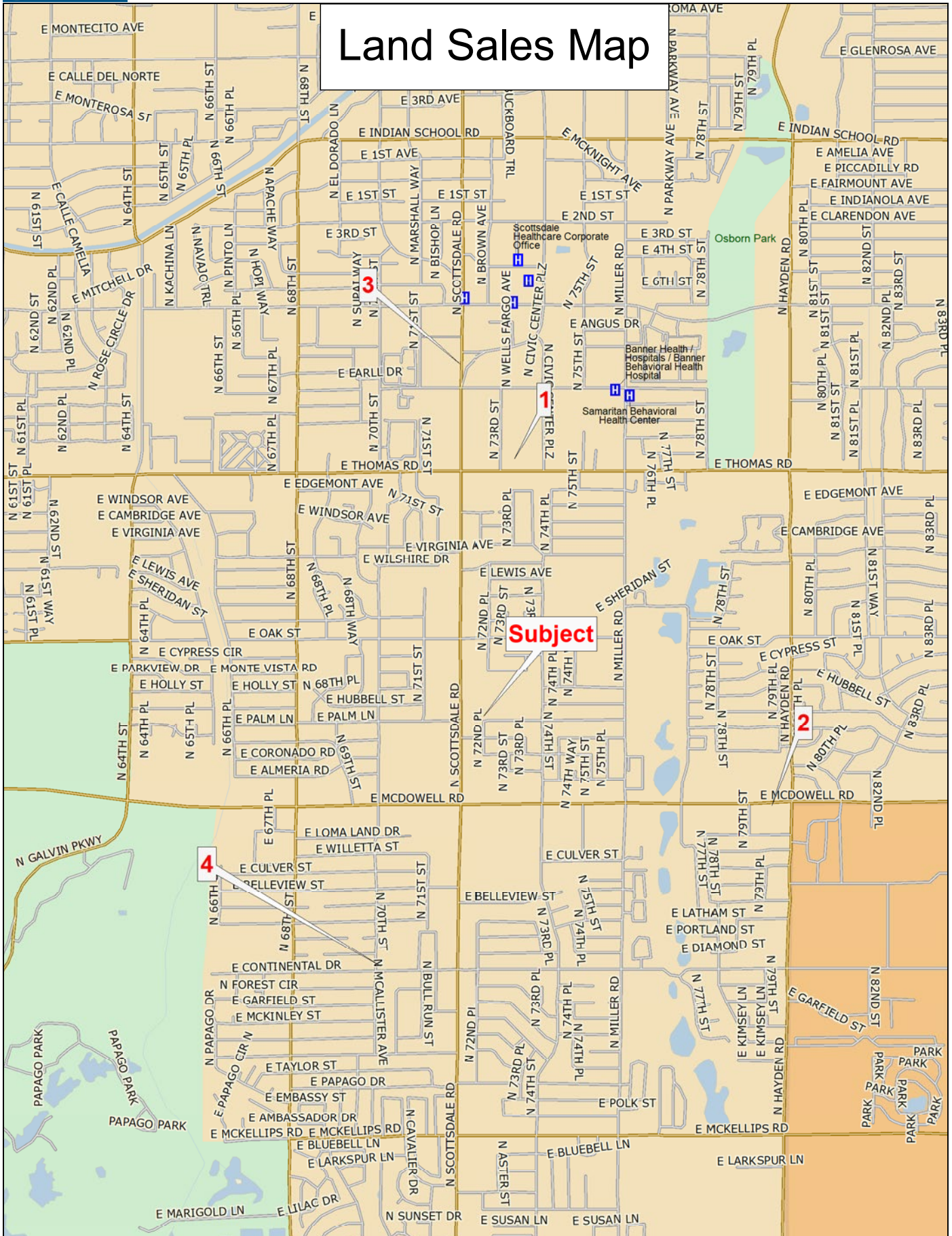
Assessor Map & Aerial Photograph - Land Sale 4



Summary Table of Comparable Land Sales

| Sale | Subject | 1 | 2 | 3 | 4 |
|-------------------|---|-----------------------------------|-------------------------|----------------------------|---|
| Location | Northeast quadrant of Scottsdale Road and Palm Lane | 7312 East Thomas Road, Scottsdale | 8701 East McDowell Road | 3220 North Scottsdale Road | 7010 East Continental Drive, Scottsdale |
| Date of Sale | 9/18/18 (DOV) | 1/17/17 | 4/26/17 | June 2017 | 7/6/18 |
| Price | | \$950,000 | \$3,265,000 | \$16,500,000 | \$7,950,000 |
| Recording Number | | 2017-0036409 | 2017-0298582 | 2017-0420630 | 2018-0512988 |
| Financing | | C/E | Cash | Cash | Cash |
| Site Area (acres) | 7.59 | .84 | 5.41 | 4.21 | 9.39 |
| Topography | Level | Level | Level | Level | Level |
| Utilities | All available | All available | All available | All available | All available |
| Zoning | C-3 and R1-7 | PUD | C-4 | D/DMU-2, PBD, DO | R-5 |
| Flood Zone | X | X | X | X | X |
| Off Sites | All to site | All to site | All to site | All to site | All to site |
| Sale Price/SF | | \$25.88 | \$13.85 | \$89.89 | \$19.44 |

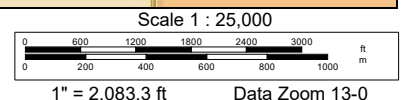
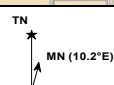
Land Sales Map



Data use subject to license.

© DeLorme. DeLorme Street Atlas USA® 2015.

www.delorme.com



Discussion of Adjustments

All sales were fee simple, cash equivalent, arms'-length transactions and therefore do not require any adjustments for property rights conveyed, financing or conditions of sale. The other adjustment considerations were for market conditions (time), differences in location, zoning, available utilities, parcel shape, parcel size, flood plain, topography and off-site improvements. When a sale's characteristic is considered to be inferior to the subject by comparison, a positive adjustment is made to the comparable's sale price. Conversely, when a sale's characteristic is considered superior in comparison to the subject, a negative adjustment is applied.

An adjustment grid showing the adjustments to the comparables is located at the end of this discussion.

Market Conditions

Real estate values do not move in a linear pattern, but rather in a stairstep fashion to coincide with significant sales of similar properties, events and announcements. The commercial real estate sector in the Valley is showing sustained improvement since the end of the "Great Recession."

A positive market conditions adjustment is applied to all of the sale dates from the date of closing.

Location

The locational adjustment refers to each property's physical location and surrounding property uses in comparison to the subject. The subject is located in downtown Scottsdale in an intense urban area, but does not have arterial frontage.

Land Sale 1 is located on Thomas Road, a short distance east of Scottsdale Road. Scottsdale Road frontage is superior to the sale property's Thomas Road frontage, but the location farther north offsets this. No location adjustment is required for land Sale 1. Land Sales 2 and 4 have inferior locations to the subject but would be competitive for a multi-family residential site. A positive adjustment is required for land Sales 2 and 4. Land Sale 3 has a superior location to the subject's enjoying superior proximity to the downtown core and the amenities of Old Town Scottsdale. A negative location adjustment is required for Land Sale 3.

Zoning

The subject has C-3 and R1-7 zoning. All of the land sales have more intense zoning than the subject and all require a downward adjustment for this element of comparison.

Available Utilities

All utilities are available to the subject with no shortages foreseen. All of the comparable land sales are similar and no adjustment is applied to any of the sales for this factor.

Shape

The subject site is generally ell-shaped. All of the sale properties have adequate shapes to maximize their development potential and no adjustments are required.

Size

The market typically reflects higher sale prices per SF for smaller sales and lower sale prices per SF for larger transactions as there is a larger pool of potential purchasers who can afford to compete for smaller sites. The subject parcel is about 7.59 net acres in size, according to the Maricopa County Assessor. Land Sale 1 is much smaller, but is included in the data set because it is the nearest property to the subject and has a similar intensity of highest and best use (hotel versus high density residential). A downward adjustment is required. Land Sales 2 and 3 are also smaller and require negative size adjustments. Land Sale 4 is larger at 9.39 acres and requires a positive size adjustment.

Flood Plain

The subject is in Zone "X" - Map 04013C2235L. The effective date of the map is October 16, 2013. None of the sale properties are within a flood zone and no adjustments are required for this factor.

Topography

The subject parcel is level and at grade with the surrounding properties as are all of the sale properties. No adjustments are applied to any of the sales for topography.

Off-Sites In Place

This element of comparison refers to the existence of off site improvements such as paved streets, curbs, etc. If these items are not in place a developer will consider his cost to install them at the time of development. The subject property and all of the sales are adjacent to paved streets with legal access. No adjustment is applied to the sales for this criterion.

The following table sets forth the adjustment process described above.

Land Sales Adjustment Grid

| | Subject | L-1 | L-2 | L-3 | L-4 |
|---------------------------------|------------------|--------------------|--------------------|--------------------|--------------------|
| Price/SF | | \$25.88 | \$13.85 | \$89.89 | \$19.44 |
| Property Rights Conveyed | Fee Simple | Fee simple 0% | Fee simple 0% | Fee simple 0% | Fee simple 0% |
| Financing | Cash/C.E. | Cash 0% | Cash/C.E. 0% | Cash/C.E. 0% | Cash 0% |
| Conditions of Sale | Arms'-length | Arms'-length 0% | Arms'-length 0% | Arms'-length 0% | Arms'-length 0% |
| Adjusted Price/SF | | \$25.88 | \$13.85 | \$89.89 | \$19.44 |
| Sale Date | 9/18/18 (DOV) | 1/17/17 + | 4/26/17 + | June 2017 + | 7/6/18 + |
| Location | Good | Similar 0 | Inferior + | Superior - | Inferior + |
| Zoning | C-3 and R1-7 | Superior - | Superior - | Superior - | Superior - |
| Available Utilities | All available | All available | All available | All available | All available |
| Shape | Rectangular | Similar | Similar | Similar | Similar |
| Size (Acres) | 7.59 | .84 - | 5.41 - | 4.21 - | 9.39 + |
| Flood Plain | X | X | X | X | X |
| Topography | Level | Level | Level | Level | Level |
| Off-Sites in Place | All to site | All to site | All to site | All to site | All to site |
| Cumulative Adjustment | | 0 | + | - | + |
| Adjusted Price/SF | | z\$25.88 | >\$13.85 | <\$89.89 | >\$19.44 |

Land Valuation Summary

Based on the adjusted sale prices, the subject's market value "as if vacant," falls below \$89.89 and above \$13.85/SF and \$19.44/SF and around the value of Land Sale 1, after substantial adjustments.

Conclusion

In reference to the previously discussed land valuation and after considering the merits of each sale, the broker opinions and other market data, it is my opinion that the subject's site value is \$26/SF for the ±7.59 net acre (330,656 SF) subject parcel, as follows:

$$\begin{aligned} &\pm 330,656 \text{ SF} \times \$26/\text{SF} = \$8,597,056; \$8,600,000 \text{ rounded} \\ &\text{EIGHT MILLION SIX HUNDRED THOUSAND DOLLARS*} \\ &\$26 \text{ per Square Foot of Land Area} \end{aligned}$$

***According to the City of Scottsdale's Abandonment Valuation Procedure dated 2-16-18, interest in the right of way proposed to be abandoned shall be valued as if vacant, as if assembled with the adjoining land, as having an equal zoning classification as the property to which it is proposed to be joined and as available for development to its highest and best use. The subject site, including the area to be abandoned, is appraised under the above hypothetical conditions.**

The hypothetical conditions may have had an effect on assignment results.

Valuation of Right of Way to be Conveyed

The client has requested an opinion of value for the real property rights to be conveyed from the City to the adjacent prospective landowner. The purpose of the assignment is to express an opinion of value of the property rights in the right of way that is to be conveyed by the City of Scottsdale and assembled with the subject property.

There is no way to measure the value of the right of way to be abandoned solely with market data. Sales of small irregular parcels are rare and difficult to locate. Sales of parcels this small and irregularly shaped have limited utility by themselves and therefore the motivations of buyers tend to be varied and idiosyncratic.

In some cases, buyers of small parcels are taking advantage of an opportunity to acquire property at a relatively low price in hopes that in the future, the property can be assembled with an adjacent property or flipped at a slightly higher price to another investor with no concrete plans for the property. In some cases, a given property has no utility by itself, and in other cases the potential exists for the development of a small commercial or office building. In other cases, such as the subject's, a given property cannot be developed by itself, but adds value to an adjacent parcel.

The right of way to be abandoned is 20 feet wide. It would be impossible for buildings to be developed within the abandoned right of way in the unlikely event it was purchased by third- parties. Taking into account that the property to be abandoned has a very limited market (adjacent ownership), and virtually no utility on its own, a deep discount from fee simple value must be applied. In the abstract, if the City were to attempt to sell the right of way on the open market, there is virtually no chance the property would sell unless there was an assemblage actively under way

Market value is a function of the highest and best or most probable use; which, in the case of the across-the-fence property, is for mixed use development. Consistent with the Arizona Department of Transportation *Right of Way Procedures Manual*, FHWA certified January 1, 2016, the adjoining property ("subject property"), was first valued as a separate parcel. The base value of the subject property was concluded to be \$26.00/SF.

The property is then to be valued as assembled with the property to be conveyed. The plottage value created by the assemblage must then be allocated between the adjoining parcel and the excess parcel, recognizing that both parcels are needed to create plottage value, but taking into consideration what each contributes to that value. The portion of the allocation attributed to the property to be conveyed is the market value of the property to be conveyed.

In valuing the assembled parcels, the costs of physically joining the property to be conveyed with the adjacent property, such as earthwork; or soft costs such as professional fees, carrying costs and profit required to realize the plottage value must be considered.

The area of abandonment of fee simple rights in the alley totals 12,047 SF. The base fee simple value was concluded to be \$26/SF.

The alley to be abandoned would logically have a lower unit value than the adjacent parcels because it has a very limited market. There is effectively only one potential buyer of the property - the adjacent owner. The right-of-way to be abandoned is not capable of development on its own as a free-standing site. The right of way would have to be assembled onto one of the adjacent properties to have any significant utility. If the alley is not abandoned, the plat cannot be recorded. It would not be equitable for the City to extract an inordinate payment from the property owner in exchange for giving up unneeded property rights in the subject property

Considering the limited market, shape and utility of the site, a 50% deduction is applied because the City would have to provide a significant discount to stimulate interest in the property to be abandoned.

The value of the right of way proposed for abandonment is $\$26/\text{SF} \times 12,047 \text{ SF} \times 50\% = \$156,611$, rounded to \$155,000.

Based on the market data found in my research, appropriate analysis and professional judgment, it is my opinion that the "as is" market value of the property to be conveyed (fee simple interest in alley), as of the effective date of this appraisal, September 18, 2018, is:

**ONE HUNDRED FIFTY-FIVE THOUSAND DOLLARS
\$155,000**

In summary:

1. I initially determined that the property to be abandoned is a "special purpose" property
2. I determined that "across the fence" methodology is the appropriate and indeed the only appropriate method to value the property to be abandoned.
3. I appraised the subject property and determined the base fee simple value of the abandonment property as a part of the adjacent property.
4. I adjusted the base fee simple value of $\$26.00/\text{SF}$ -50%, because there is only one buyer and one seller for the potential abandonment property.
5. $\$26.00/\text{SF} \times 50\% = \$13.00/\text{SF}$.

EXPOSURE TIME AND MARKETING PERIOD

Exposure Time is defined as:

1. The time a property remains on the market. 2. [The] estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (USPAP, 2016-2017 ed.)¹⁰

Reasonable Marketing Time is defined as:

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions” address the determination of reasonable exposure and marketing time.)¹¹

In researching the market for comparables, real estate participants active in the subject's area that are familiar with the subject property type were interviewed concerning a probable marketing period for the subject. In addition, the marketing period for the sales considered as comparables were considered in the estimate.

Based on the information obtained during the course of preparing this appraisal, the conclusion is that a marketing period of about 6-9 month is reasonably probable. This assumes that the subject property is marketed at a value within ten percent of the appraised value, and also assumes professional marketing. The exposure time would also be for a similar period.

⁸ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. “exposure time.” (Chicago: Appraisal Institute, 2015), PDF e-book.

⁹ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. “marketing time.” (Chicago: Appraisal Institute, 2015), PDF e-book.

CERTIFICATION

RE: A Narrative Appraisal of a Parcel of Land with Mixed Commercial/Residential Zoning, Located at 2001 North Scottsdale Road; APN 131-19-002K, 002L, 002U, 002V and a Portion of an Alley Containing 12,047 SF, City of Scottsdale, Maricopa County, Arizona 85251

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I have made a personal inspection of the property that is the subject of this report.
9. No one provided significant professional assistance to the appraiser. The conclusions and analyses contained in the report are mine alone.
10. The reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

CERTIFICATION (CONTINUED)

**RE: A Narrative Appraisal of a Parcel of Land with Mixed Commercial/Residential Zoning,
Located at 2001 North Scottsdale Road; APN 131-19-002K, 002L, 002U, 002V and a
Portion of an Alley Containing 12,047 SF, City of Scottsdale, Maricopa County,
Arizona 85251**

11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Roger L. Dunlap has completed the requirements of the continuing education program for designated members of the Appraisal Institute and the State of Arizona.
13. The appraisal assignment and my value conclusions as well as other opinions, analysis and/or judgment expressed herein are not based on a requested minimum valuation, specific valuation or the approval of a loan.
14. The undersigned hereby acknowledges that he has the appropriate education and experience to complete the assignment in a competent manner. The reader is referred to the appraiser's Professional Qualifications located in the Addenda.
15. The appraiser has not performed any services regarding the subject property within the three-year period immediately preceding acceptance of this assignment.

Roger L. Dunlap

Roger L. Dunlap, MAI
Certified General Real Estate Appraiser
Arizona Certificate #31062

September 26, 2018

Date

**A NARRATIVE APPRAISAL REPORT
OF AN ABANDONMENT OF PUBLIC REAL PROPERTY RIGHTS
SAID PROPERTY RIGHTS BEING THE FEE SIMPLE RIGHTS IN THE ALLEY
ALONG THE SOUTH SIDE OF APN 131-19-002X
AND ALONG THE WEST SIDE OF APN 131-190-002V
CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA 85251**

Prepared for and Authorized by

Mr. John Berry, Esq.
Berry Riddell, LLC
6750 East Camelback Road, Suite 100
Scottsdale, AZ 85251

Effective Date of Valuation

September 18, 2018

Date of Inspection

September 18, 2018

Date of Report

September 26, 2018

Prepared by

Roger L. Dunlap, MAI
Roger L. Dunlap & Associates, LTD.
9401 East Diamond Rim Drive
Scottsdale, Arizona 85255-9123

RLD File: 18075D

Client File: Alexan Scottsdale

Roger L. Dunlap & Associates, LTD.

RLD

Roger L. Dunlap & Associates, LTD.

Appraisals • Consulting • Litigation Support

September 26, 2018

Mr. John Berry, Esq.
Berry Riddell, LLC
6750 East Camelback Road, Suite 100
Scottsdale, AZ 85251

**Subject: A Narrative Appraisal of an Abandonment of Public
Property Rights, Said Property Rights Being the
Fee Simple Rights in the Alley along the South Side
of APN 131-19-002X And along the West Side of
APN 131-190-002V, City of Scottsdale, Maricopa
County, Arizona 85251**

Dear Mr. Berry:

Please find attached a copy of my narrative appraisal report, containing 79 pages, wherein I provide an opinion of the hypothetical "as if vacant" value of the subject property (the adjacent property, to which the property rights will be abandoned) in the fee simple estate. The value of the alley to be abandoned was opined to using the "across-the-fence" method of value, taking into account the limited market for the right of way by itself, were it to be offered for sale on the open market, and also taking into account the utility the right of way would contribute if it were assembled with the subject property. In this appraisal report "subject property" refers to the alley to be abandoned as well as the adjacent assessors' parcels: 131-19-002K, 002L, 002U and 002V, Maricopa County, Arizona.

Sales and other market data for similar properties in the immediate and competing areas were analyzed, and well-informed individuals familiar with real estate values for this type of property were interviewed. The best available market data were analyzed. Public records were also utilized to assist in the valuation of this property.

As of the date of this report, Roger L. Dunlap has completed the requirements of continuing education for the Appraisal Institute and the State of Arizona.

9401 East Diamond Rim Drive • Scottsdale, Arizona 85255
Voice (480) 585-0700 • Toll Free (877) 585-0700 • Fax (480) 585-7343 • E-mail Roger@RLDLTD.com

17-AB-2018
10/24/18

Based on the market data found in my research, appropriate analysis and professional judgment, it is my opinion that the hypothetical value of the subject property, in fee simple, as of the effective date of this appraisal, September 18, 2018, is:

**EIGHT MILLION SIX HUNDRED THOUSAND DOLLARS
\$8,600,000*
\$26/SF**

Based on the market data found in my research, appropriate analysis and professional judgment, it is my opinion that the "as is" market value of the property to be conveyed (fee simple interest in alley), as of the effective date of this appraisal, September 18, 2018, is:

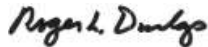
**ONE HUNDRED FIFTY-FIVE THOUSAND DOLLARS
\$155,000**

This letter must remain attached to the report, which contains 79 pages plus related exhibits, for the value opinion set forth to be valid.

Assuming that the subject is marketed by a professional brokerage firm, it is my judgment that the subject site could sell in its "as is" condition within a 6-9 month period if it were offered at a price within ten percent of the appraised value. Exposure time would be similar.

I appreciate the opportunity to be of service to you.

Respectfully Submitted,



Roger L. Dunlap, MAI
Certified General Real Estate Appraiser
Arizona Certificate #31062

TABLE OF CONTENTS

| | |
|--|----|
| Executive Summary..... | 1 |
| Underlying Assumptions and Limiting Conditions | 3 |
| Special Limiting Conditions and Hypothetical Condition | 5 |
| Subject Photographs..... | 6 |
| Introduction | |
| Description of the Assignment | 16 |
| Identification of Subject Property | 16 |
| Scope of Work..... | 16 |
| Purpose, Intended Use, Client and Intended Users of the Appraisal..... | 17 |
| Property Rights Appraised | 17 |
| Effective Date of Valuation and Date of the Report..... | 17 |
| Definition of Value | 17 |
| Ownership History of the Subject Property | 18 |
| Area Analysis..... | 20 |
| Neighborhood Summary..... | 38 |
| Site Description | 39 |
| Description of Improvements | 47 |
| Real Estate Taxes & FCV | 48 |
| Highest and Best Use Summary | 49 |
| Valuation Process..... | 52 |
| Land Valuation..... | 53 |
| Valuation of Right of Way to be Conveyed..... | 75 |
| Exposure Time and Marketing Period..... | 77 |
| Certification | 78 |

ADDENDA

Appraiser's Qualifications
Appraisal License
Contract Letter for Appraisal Services
Zoning Summary
Abandonment Application Exhibits

EXECUTIVE SUMMARY

| | |
|---|---|
| Type of Property: | A parcel of land with mixed zoning, currently improved with a single-family residence, a multi-family residential building and several small retail structures; along with the adjacent alley, appraised "as if vacant" |
| Location/Address: | 2001 North Scottsdale Road, City of Scottsdale, Maricopa County, Arizona |
| Assessor Tax Parcel Numbers: | 131-19-002K, 002L, 002U and 002V |
| Total Full Cash Value: | \$2,606,800 (2018) |
| Real Estate Taxes: | \$25,705.08 (2018). There are no prior year delinquent taxes. |
| Interest Appraised: | Fee simple |
| Gross Site Area: | ±8.26 acres (359,810 SF per client) |
| Net Site Area: | 7.59 net acres (330,656 SF per client) inclusive of area to be abandoned |
| Building Area: | 15,277 SF of Gross Building Area ("GBA") |
| Area of Property to be Abandoned: | 12,047 SF per client |
| Physical Age of Building Improvements: | 38-61 years |
| Effective Age: | 43 years (economic obsolescence) |
| Remaining Economic Life: | Two years |
| Zoning: | C-3, Highway Commercial and R1-7, Residential District |
| Flood Zone Designation: | The subject is in Zone "X" - Map #04013C2235L. The effective date of the map is October 16, 2013. Flood insurance is not required in a Zone "X." |

Highest and Best Use:

As If Vacant:

Mixed uses

As Improved:

Redevelop with mixed uses

Date of Inspection:

September 18, 2018

Effective Date of Value:

September 18, 2018

Date of Report:

September 26, 2018

Value Opinion**Land Value "As If Vacant":**

\$8,600,000 \$26/SF*

Value of Right of Way to be Abandoned: \$155,000****The hypothetical conditions may have had an effect on assignment results.****Marketing Period:**

6-9 months

Exposure Time:

6-9 months

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

1. That the legal description for the subject property available to the appraiser is correct.
2. That no survey was provided to the appraiser, and all other plans and specifications noted in this report are correct.
3. That the title to the property is marketable, free and clear of all liens.
4. That the property is appraised as if owned in fee simple.
5. That the fee simple interest in the property signifies all ownership interests of the property rights subject only to the limitations of the four powers of government.
6. That responsible ownership and competent management exist for the property.
7. That adequate utility services are available for the subject property and that they will continue to be so in the foreseeable future. These include electricity, water and sewer.
8. That construction, whether existing or to be completed, is assumed to be done according to the plans and specifications furnished to the appraiser, and that such construction is legal in character and meets all governmental requirements.
9. That hidden defects within the materials of the structures, or defects which are inaccessible to normal inspection, are not the responsibility of the appraiser.
10. An environmental site survey was not provided to the appraiser. Moreover, the appraiser is not qualified to detect or evaluate the subject site for environmental criteria. Thus, this appraisal does not take into consideration the possibility of the existence of asbestos, PCB transformers, urea formaldehyde foam insulation, or other toxic, hazardous or contaminated substances, and/or underground storage tanks (containing hazardous materials), or the cost of encapsulation or removal thereof.
11. That the subject property is not, nor will be, in violation of the National Environmental Policy Act, the State Environmental or Clean Air Act, or any and all similar government regulations or laws pertaining to the environment.
12. That information furnished by the client, property owner, agent or management is correct as received.
13. That the appraiser is not responsible for the accuracy of the opinions furnished by others and contained in this report, nor is he responsible for the reliability of government data utilized in the report.

14. That this report considers nothing of a legal character and that the appraiser assumes no responsibility for matters of a legal nature.
15. That compensation for appraisal services rendered is dependent only upon the delivery of this report and that it is not contingent upon the value opinions herein.
16. That testimony or attendance in court is not required by reason of this appraisal, unless arrangements are previously made.
17. That this report is the confidential and private property of the client and the appraiser. Any person other than the appraiser or the client who obtains and/or uses this report or its contents for any purpose not so authorized by the appraiser or the client is hereby forewarned that all legal means to obtain redress may be employed against him/her.
18. That neither this report, nor any of its contents, may be used for the sale of shares or similar units of ownership in the nature of securities, without specific prior approval of the appraiser. That no part of this appraisal may be reproduced without the permission of the appraiser.
19. That the appraiser cannot predict or evaluate the possible effects of future wage price control actions of the government upon rental income or financing of the subject property; hence, it is assumed that no control will apply which would nullify contractual agreements, thereby changing property values.
20. Statement of Policy. The following statements represent official policy of the Appraisal Institute with respect to neighborhood analysis and the appraisal of residential real estate:
 - a. It is improper to base a conclusion or opinion of value upon the premise that the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.
 - b. Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.
 - c. It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped or biased presumptions relating to race, color, religion, sex, or national origin, or upon unsupported presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.
21. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. It is beyond the scope of the assignment to make a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together

with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since there is no direct evidence relating to this issue, the possible non-compliance of the subject property with the requirements of ADA was not considered in estimating the value of the property. If, at a later date, it is determined that the subject does not conform, the value opinion is subject to change.

Special Limiting Condition

1. The following items relating to the subject were not available to the appraiser: survey, Phase I environmental report, soil report, site plan, title report, complete plans and specifications.

Hypothetical Conditions

1. The subject site is improved with a single-family residence, a multi-family residential building and several small retail buildings. The purpose of the assignment is to opine to the value of the fee simple interest to be abandoned. Therefore, the value, if any, positive or negative, of the existing improvements is not relevant. The appraisal is based on the hypothetical condition that the subject site is vacant as of the date of valuation. The subject land is appraised "as if vacant."

The hypothetical conditions may have had an effect on assignment results.

SUBJECT PHOTOGRAPHS

All photographs were taken by Roger Dunlap on September 18, 2018



Looking east from SWC of Subject (Scottsdale Road)



Looking northeast from SWC of Subject (Scottsdale Road)



Looking north from SWC of Subject (Scottsdale Road)



Looking south from NWC of Subject (Scottsdale Road)



Looking southeast from NWC of Subject (Scottsdale Road)



Looking east from NWC of Subject (Scottsdale Road)



Front Elevation of Retail Building



Front Elevation of Restaurant



Looking west from SEC of Subject (Palm Lane)



Looking northwest from SEC of Subject (Palm Lane)



Looking north from SEC of Subject (Palm Lane)



Looking north from SWC of Subject (Palm Lane)



Looking northeast from SWC of Subject (Palm Lane)



Looking east from SWC of Subject (Palm Lane)



Looking west from NEC of Subject



Looking southwest from NEC of subject



Looking south from NEC of Subject



Looking east from NWC of Subject (Alley)



Looking southeast from NWC of subject (Alley)



Looking south from NWC of Subject (Alley)

INTRODUCTION

Description of the Assignment

The client is in the process of seeking approval from the City of Scottsdale to abandon a portion of the fee simple interest in the alley that abuts the subject site.

The site is proposed for redevelopment with a housing project with 288 residential units. The client requires an opinion of the value of a portion of an alley. The property must be appraised so that the City can be compensated at market value for the City-owned property rights to be conveyed into private ownership. Since alleys and streets cannot reasonably be valued using comparable sales as they are special use properties, the privately-owned parcel adjacent to the right of way will be valued and then the abandonment property will be valued using the “across-the-fence” method, taking into account its limited market.

This appraisal has been prepared to comply with the appraisal reporting guidelines of the Uniform Standards of Professional Appraisal Practice (USPAP) as established by the Appraisal Foundation, and the Standards of Professional Practice as defined by the Appraisal Institute. It is beyond the scope of the assignment to value the improvements located on the property. The subject property is appraised subject to the hypothetical conditions detailed above.

Identification of Subject Property

The subject property is a parcel of land with mixed commercial/residential zoning, located at 2001 North Scottsdale Road, city of Scottsdale, Maricopa County, Arizona. It is identified by the Maricopa County Assessor as parcel numbers 131-19-002K, 002L, 002U and 002V. The subject property also includes the alley to be abandoned. A copy of the subject’s legal description is located in the addenda at the end of the report.

Positive attributes of the subject property include the Scottsdale Road address, very near downtown Scottsdale, adequate site size for a commercial development, good traffic count, access to services, amenities, customer and employee base.

Scope of Work

The scope of work included:

1. A physical inspection of the subject property;
2. A collection of zoning information from the City of Scottsdale, including any stipulations which may affect the use of the property;
3. Conversations with market participants, including real estate brokers, property owners and representatives of financial institutions, etc., in the Phoenix metro area;
4. Examination and analysis of the market relative to the subject property's area, using data developed by the appraiser as well as secondary sources of information;

5. Primary data collection, including gathering sales of comparable properties as well as other relevant market data; and,
6. Application of the relevant approaches to value based on the highest and best use of the subject property as well as the availability of pertinent market data.

On the date of value, the appraiser inspected and photographed the subject property from the adjacent streets and alleys. The interior of the buildings were not accessed.

In the search for data, the appraiser employed Realquest, Loopnet, and the Internet sites of the Maricopa County Assessor, Recorder and Treasurer as well as others.

Purpose, Intended Use, Client and Intended User of the Appraisal

The purpose of this appraisal is to provide an opinion of the market value of the property rights to be abandoned as of September 18, 2018, the date of valuation, in the fee simple interest. Berry Riddell LLC is the client. The intended use of this report is to provide an opinion of the value of the property to be abandoned to facilitate the abandonment process. The intended users are the client and the City of Scottsdale.

Property Rights Appraised

This appraisal values the *fee simple estate* which can be defined as:

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.¹

Effective Date of Valuation and Date of the Report

The subject property was inspected on September 18, 2018. Therefore, the effective date for the “as is” market valuation is September 18, 2018. The report date is September 26, 2018.

Definition of Market Value

Market Value

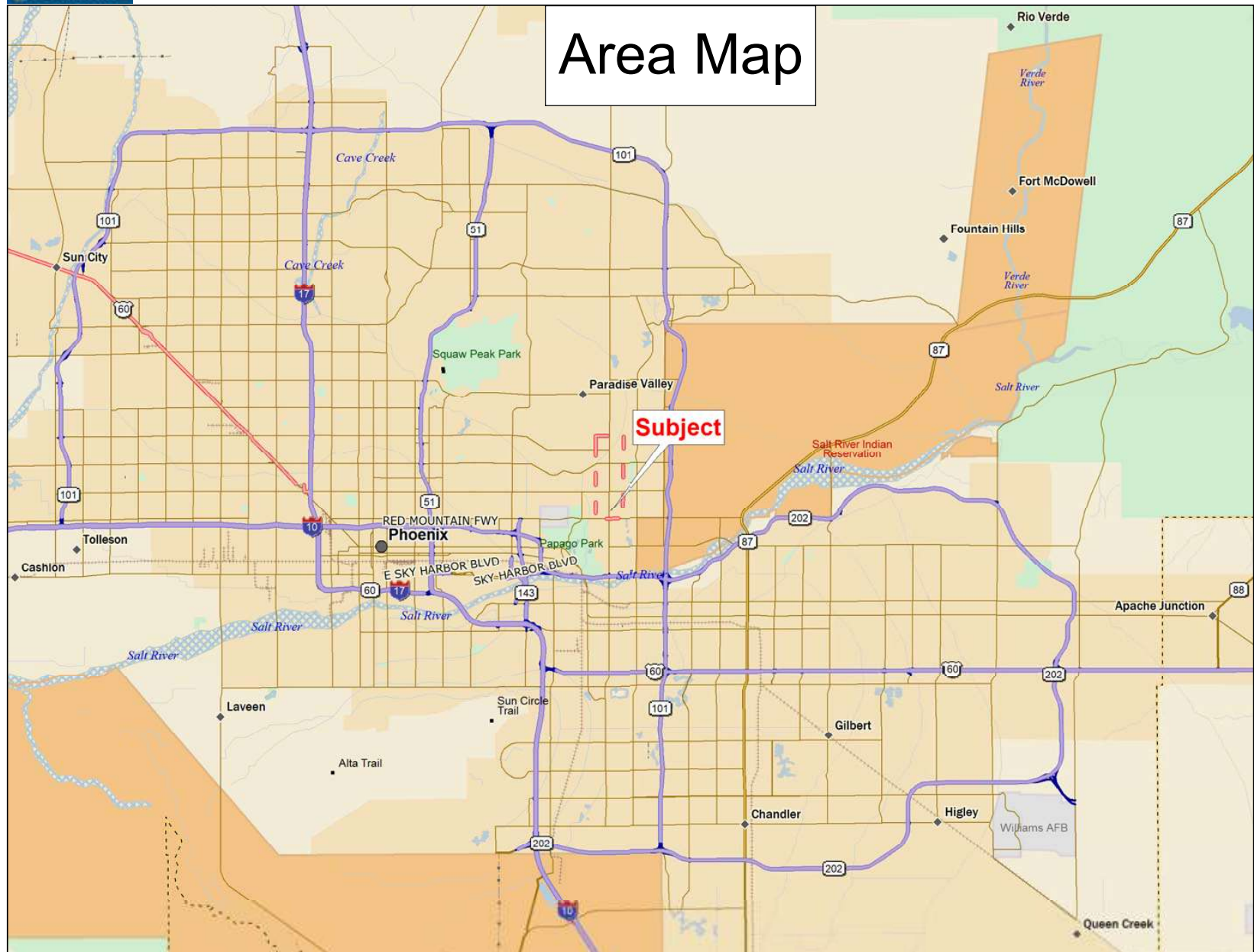
The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.²

¹ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. “fee simple estate.” (Chicago: Appraisal Institute, 2015), PDF e-book.

² Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. “market value.” (Chicago: Appraisal Institute, 2015), PDF e-book.

Ownership History of the Subject Property

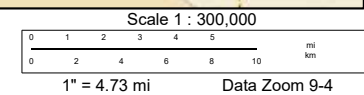
No title report was provided to the appraiser. According to recorded documents, title to the subject property is currently held in the name of Palm Lane Partners LLC. It was conveyed into this entity by Anne L. Horii, as sole Successor Trustee of the Lew Family Living Trust via a special warranty deed, recorded in Maricopa County at 2008-0076805 on January 29, 2008. There was no reported consideration exchanged. The deed was re-recorded at 2008-0179864 to correct the legal description. There have been no other transfers of the subject property within the past five years and the property is not for sale to the best of my information.



Data use subject to license.

© DeLorme. DeLorme Street Atlas USA® 2015.

www.delorme.com



AREA ANALYSIS

Metropolitan Phoenix is located in Maricopa County which is also known as the “Valley of the Sun.” Maricopa County is located in south central Arizona and contains ±9,127 square miles of land area. Phoenix is the state capital, county seat and the largest city in the state. Maricopa County has grown to become the 4th largest county in the country in terms of population. Growth has been attributed to a variety of factors, including favorable cost of living, recreational opportunities, weather and availability of employment. The official town site was originally selected in 1870, although several people were living in the area in the early 1860's. In the late 1860's, the Swilling Irrigation Canal Company was organized and is responsible for giving Phoenix its name. The new city was to be located on top of ancient canals and villages of a vanished civilization and therefore rise upon the ashes of the old - just as the legendary Phoenix Bird, when consumed by fire, rose from its own ashes. Phoenix was incorporated in 1881.

Arizona Employment Trends

Arizona's economy is heavily service-based, with just 12% of the jobs being goods-producing, such as mining and construction, and manufacturing. Of the 88% of the jobs in the total non-farm universe, private service providing jobs account for 89% of that sub-set and just under 78% of the total non-farm jobs in Maricopa County.

| MARICOPA COUNTY LABOR FORCE 2018 | | | | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----|-----|-----|-----|-----|
| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
| Total Civilian Labor Force | 2,165,170 | 2,198,244 | 2,196,909 | 2,186,219 | 2,177,077 | 2,177,306 | 2,183,494 | - | - | - | - | - |
| Total Employment | 2,069,218 | 2,102,935 | 2,109,216 | 2,104,124 | 2,103,937 | 2,087,763 | 2,091,478 | - | - | - | - | - |
| Total Unemployment | 95,952 | 95,309 | 87,693 | 82,095 | 73,140 | 89,543 | 92,016 | - | - | - | - | - |
| Unemployment Rate | 4.4% | 4.3% | 4.0% | 3.8% | 3.4% | 4.1% | 4.2% | - | - | - | - | - |

Figure 1

| Arizona, U.S. Economic Indicators Unemployment Rate (Seasonally Adj.) | | | |
|--|----------|----------|----------|
| | July '18 | June '18 | July '17 |
| United States | 3.9% | 4.0% | 4.3% |
| Arizona | 4.6% | 4.7% | 4.7% |
| Arizona unadjusted rate | 5.0% | 4.8% | 5.1% |

| Arizona Nonfarm Employment (in Thousands) | | | |
|---|----------|----------|----------|
| | July '18 | June '18 | July '17 |
| Overall | 2,775.0 | 2,792.5 | 2,702.6 |
| Over-Month % Chg. | -0.6% | -1.6% | -0.8% |
| Year-to-Year % Chg. | 2.7% | 2.5% | 2.7% |

Arizona's unemployment rate decreased to 4.6% from June 2018 to July 2018, lower than it was a year ago. During that same period, Arizona's seasonally adjusted labor force level increased by 1,666 individuals. From July 2017 to July 2018, Arizona's seasonally adjusted labor force level increased by 59,745 individuals. The U.S. seasonally adjusted unemployment rate decreased from 4.0% in June to 3.9% in July.

Figure 2

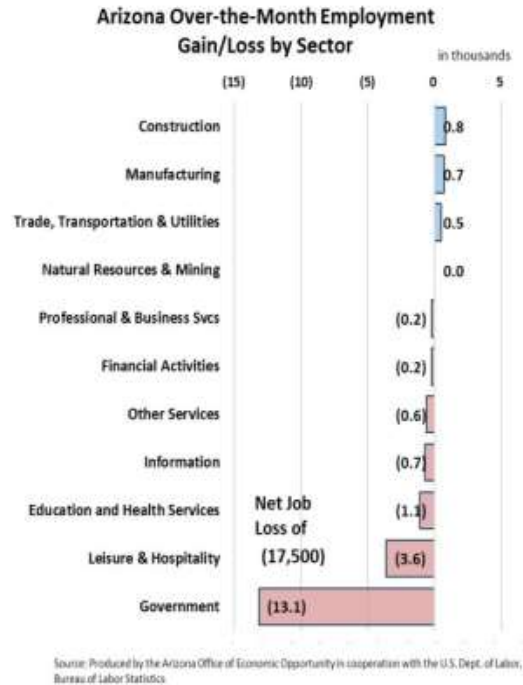
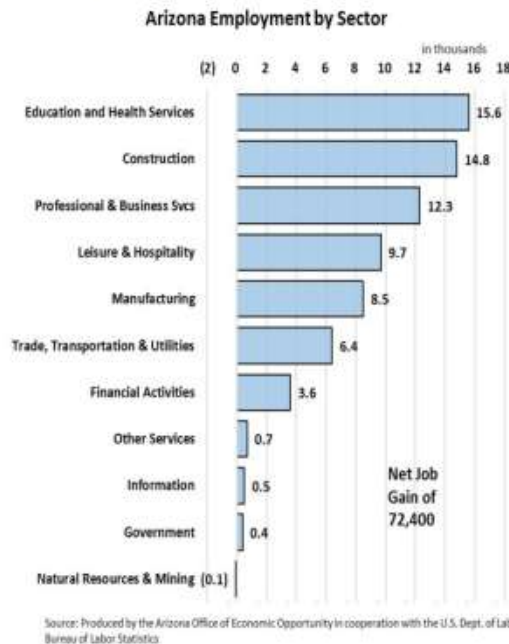


Figure 3



Over the Month

Overall, Arizona lost 17,500 nonfarm jobs in July 2018, less than the historical post-recession (2010 – 2017) average of 21,200 jobs lost in July.

The government sector recorded a loss of 13,100 jobs in July 2018. The private sector recorded a net loss of 4,400 jobs, well below the historical post-recession (2010 – 2017) average of 7,700 jobs lost in July.

Over the Year

Employment in Arizona is up 2.7% year over year. From July 2017 to July 2018, Arizona recorded a net gain of 72,400 nonfarm jobs, with the majority (72,000) in the private sector.

MARICOPA COUNTY UNEMPLOYMENT RATES

| Year | Annual Average |
|-------------|-----------------------|
| 2000 | 2.7% |
| 2001 | 3.9% |
| 2002 | 5.6% |
| 2003 | 4.9% |
| 2004 | 4.0% |
| 2005 | 4.1% |
| 2006 | 3.5% |
| 2007 | 3.6% |
| 2008 | 5.7% |
| 2009 | 7.7% |
| 2010 | 8.6% |
| 2011 | 7.7% |
| 2012 | 7.1% |
| 2013 | 6.7% |
| 2014 | 5.8% |
| 2015 | 5.1% |
| 2016 | 5.0% |
| 2017 | 3.9% |

Population Data and Trends

The US Census Bureau estimates population in Maricopa County of 4,242,997 in 2016 compared to a population of 3,072,149 in 2000. This represents a compounded growth rate of 2.04% per year. The following table illustrates population growth in Maricopa County from 2000-2016.

MARICOPA COUNTY HISTORIC POPULATION GROWTH

| Year | Population | % Change From Previous Year |
|------|------------|-----------------------------|
| 2000 | 3,072,149 | |
| 2001 | 3,173,219 | 3.29% |
| 2002 | 3,261,203 | 2.77% |
| 2003 | 3,353,875 | 2.84% |
| 2004 | 3,559,540 | 6.13% |
| 2005 | 3,577,074 | 0.49% |
| 2006 | 3,663,915 | 2.43% |
| 2007 | 3,753,413 | 2.44% |
| 2008 | 3,808,829 | 1.48% |
| 2009 | 3,821,136 | 0.32% |
| 2010 | 3,817,117 | -0.11% |
| 2011 | 3,843,370 | 0.69% |
| 2012 | 3,884,705 | 1.08% |
| 2013 | 3,944,859 | 1.55% |
| 2014 | 4,008,651 | 1.62% |
| 2015 | 4,076,438 | 1.69% |
| 2016 | 4,242,997 | 4.09% |

Source: Office of Employment & Population Statistics, Arizona Dept. of Administration

Most of the population growth has occurred outside the city of Phoenix where there is more developable land. Population increases are primarily attributed to employment opportunities, affordable housing, good weather and economic dislocation from other regions. Maricopa County currently accounts for about 60 percent of the State's population.

Although the Phoenix metropolitan area has exhibited strong long-term historical growth, annual net population gains have varied substantially, following the economic cycles affecting the region. During economic downturns, new in-migration typically declines. The fact that 2010 saw the first decline in the County's population since World War II is a testament to the severity of the market downturn that was unfolding at the time. Population growth projections show growth of 1.4%/year to the year 2050.

The region typically attracts a continual flow of immigrants seeking new opportunities. This employment-related in-migration has brought a large number of young, well-educated residents to the region. The median age of Maricopa County residents is 33.6 years, which is somewhat younger than the national median of 36 years. About 50 percent of the population is in the prime work force age range of 20 to 59 years old. The median household income is \$55,099 in Maricopa County per the 2012 data. Maricopa County also offers a well-educated work force. About 26 percent of adults have some college education, and an additional 33 percent have completed an associate's, bachelor's or graduate degree.

| Arizona Population Estimates and Projections | | | | |
|--|---------------------------------|-----------------------------------|--|------------------------------|
| County | 2015 Population Estimates | 2050 Population Projections | Average Annual Numeric Change | Annualized growth rate |
| Apache | 72,215 | 59,900 | -352 | -0.5% |
| Cochise | 129,112 | 157,900 | 823 | 0.6% |
| Coconino | 141,602 | 173,000 | 897 | 0.6% |
| Gila | 54,406 | 53,900 | -14 | 0.0% |
| Graham | 38,475 | 54,200 | 449 | 1.0% |
| Greenlee | 10,555 | 10,600 | 1 | 0.0% |
| La Paz | 21,183 | 22,900 | 49 | 0.2% |
| Maricopa | 4,076,438 | 6,698,400 | 74,913 | 1.4% |
| Mohave | 205,716 | 310,900 | 3,005 | 1.2% |
| Navajo | 109,671 | 119,500 | 281 | 0.2% |
| Pima | 1,009,371 | 1,370,500 | 10,318 | 0.9% |
| Pinal | 406,468 | 1,035,500 | 17,972 | 2.7% |
| Santa Cruz | 50,270 | 70,200 | 569 | 1.0% |
| Yavapai | 217,778 | 337,900 | 3,432 | 1.3% |
| Yuma | 214,991 | 345,700 | 3,735 | 1.4% |
| Arizona | 6,758,251 | 10,821,000 | 116,079 | 1.4% |

Housing

During the boom period of 2003 through 2007, metropolitan Phoenix averaged 49,158 single family permits per year with 60,872 permits issued in 2004 and 63,570 permits issued in 2005, according to R.L. Brown. In 2011 there were only 7,204 permits issued and 11,852 were issued in 2012. In 2013 there were 12,432 permits issued. In 2014, the year-over-year number of permits fell 12% to 10,997. 2015 showed a large increase of 44% over 2014. June of 2016 showed a smaller increase of 12% over 2015. End of year figures for 2017 show an increase of 12% over 2016. The Town of Gilbert Planning Department provided the statistics found in the following table. This table depicts the single family building permit activity for most of the cities in the metro area.

2018 Single Family Building Permits for Selected Jurisdictions

| | 2017 | | | | | 2018 | | | | | | | | YTD | YTD | Pct Change | 2017 |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|---------------|--------|
| | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | 2017 | 2018 | from YTD 2017 | Total |
| Apache Junction | 18 | 1 | 1 | 2 | - | 13 | 5 | 10 | 4 | 13 | 17 | 8 | 9 | 38 | 79 | 108% | 42 |
| Avondale | 35 | 22 | 13 | 14 | 27 | 19 | 21 | 25 | 30 | 23 | 39 | 12 | 23 | 176 | 192 | 9% | 252 |
| Buckeye | 220 | 194 | 208 | 183 | 162 | 161 | 194 | 213 | 179 | 197 | 170 | 211 | 197 | 1,448 | 1,522 | 5% | 2,195 |
| Casa Grande | 19 | 2 | 9 | 9 | 3 | 7 | 10 | 12 | 11 | 10 | 16 | 31 | 35 | 91 | 132 | 45% | 114 |
| Chandler | 49 | 54 | 63 | 75 | 45 | 45 | 22 | 46 | 40 | 28 | 31 | 30 | 59 | 433 | 301 | -30% | 670 |
| Coolidge | - | - | - | 1 | 8 | 1 | - | 1 | - | - | - | 2 | - | 2 | 4 | 100% | 11 |
| Florence | 15 | 20 | 27 | 14 | 21 | 15 | 16 | 17 | 26 | 24 | 21 | 21 | 21 | 136 | 161 | 18% | 218 |
| Gilbert | 106 | 105 | 109 | 127 | 105 | 121 | 93 | 154 | 120 | 164 | 178 | 118 | 140 | 1,154 | 1,088 | -6% | 1,600 |
| Glen Dale | 9 | 6 | 2 | 5 | 38 | 16 | 18 | 17 | 28 | 24 | 10 | 19 | 16 | 120 | 148 | 23% | 171 |
| Goodyear | 79 | 61 | 70 | 86 | 102 | 98 | 113 | 137 | 176 | 103 | 98 | 116 | 100 | 763 | 941 | 23% | 1,082 |
| Mari Copia | 101 | 111 | 67 | 95 | 73 | 105 | 98 | 80 | 77 | 107 | 90 | 92 | 87 | 519 | 736 | 42% | 865 |
| Mari Copia County | 86 | 81 | 102 | 64 | 88 | 110 | 115 | 181 | 112 | 133 | 147 | 204 | 287 | 769 | 1,289 | 68% | 1,104 |
| Mesa | 266 | 234 | 195 | 222 | 199 | 228 | 227 | 282 | 267 | 224 | 195 | 184 | 159 | 1,816 | 1,766 | -3% | 2,666 |
| Paradise Valley | 1 | 5 | 10 | 3 | 4 | 10 | 5 | 9 | 5 | 10 | 6 | 7 | 6 | 53 | 58 | 9% | 75 |
| Peoria | 141 | 130 | 90 | 118 | 81 | 116 | 107 | 111 | 134 | 142 | 138 | 104 | 94 | 1,207 | 946 | -22% | 1,626 |
| Phoenix | 273 | 277 | 273 | 173 | 303 | 315 | 285 | 284 | 380 | 323 | 372 | 313 | 350 | 1,897 | 2,618 | 38% | 2,923 |
| Pinal County | 196 | 157 | 132 | 153 | 205 | 124 | 212 | 251 | 268 | 222 | 195 | 300 | 246 | 1,486 | 1,818 | 22% | 2,133 |
| Queen Creek | 86 | 39 | 55 | 51 | 55 | 79 | 70 | 92 | 108 | 100 | 181 | 167 | 148 | 651 | 945 | 45% | 851 |
| Scottsdale | 37 | 31 | 26 | 37 | 29 | 38 | 20 | 46 | 43 | 32 | 38 | 36 | 36 | 329 | 289 | -12% | 452 |
| Surprise | 92 | 80 | 84 | 99 | 58 | 92 | 103 | 139 | 127 | 146 | 156 | 120 | 102 | 493 | 985 | 100% | 814 |
| Total | 1,829 | 1,610 | 1,536 | 1,531 | 1,606 | 1,709 | 1,734 | 2,107 | 2,135 | 2,025 | 2,098 | 2,095 | 2,115 | 13,581 | 16,018 | 18% | 19,863 |

The median sale price for a previously-owned house in May 2018 was up 6.5 percent from the same month a year previous in Maricopa County.

The peak price of house prices in Maricopa County was reached in June 2006, during which the median cost of single-family houses hit \$287,500. According to the R.L. Brown housing report, the median price is \$255,963 as of August 2018. This recent mark is still \$31,500 short of the record, but is well up from the \$120,000 mark hit in August 2011.

7,063 houses sold in Maricopa County in the month of May 2018. Of those, 20 were more than \$3 million in sale price.

Maricopa Association of Governments
Population and Housing Inventory Projections for Maricopa County

| | Total Resident Population | | Total Housing Units | |
|------|---------------------------|---------------|---------------------|-----------|
| Year | Total | In Households | Total | Occupied |
| 2005 | 3,681,025 | 3,616,690 | 1,479,767 | 1,352,967 |
| 2010 | 4,216,499 | 4,142,401 | 1,685,134 | 1,556,706 |
| 2020 | 5,230,300 | 5,139,943 | 2,104,440 | 1,959,300 |
| 2030 | 6,135,000 | 6,029,587 | 2,502,040 | 2,331,270 |

The housing inventory projections reflect net additions to the inventory after demolitions and therefore, understate in a relatively minor way total new construction activity.

Utilities

Although water supply is constrained in an arid desert climate such as Phoenix, there is generally adequate water for the overall region. The completion of the Central Arizona Project (CAP) has allowed the Phoenix area to receive water transported from the Colorado River to supplement local surface and groundwater supplies. However, increasing limitations on groundwater pumping have been mandated by the Arizona Groundwater Management Code, requiring a gradual total cutback in the 500,000 acre-feet of groundwater which is over drafted annually. These regulations will have an impact on development patterns in the metropolitan area, but are not generally expected to constrain overall growth in the economy and population. The Palo Verde Nuclear Power Project is expected to provide adequate electrical power to serve anticipated population and employment growth. Utility services are adequate and are typically provided by the following:

| | |
|--------------|--|
| Electricity: | Salt River Project, Arizona Public Service Company |
| Natural Gas: | Southwest Gas Company |
| Telephone: | CenturyLink & others |
| Water: | Salt River Project/Municipal |
| Sewer: | Municipal |

Availability of water, sewer, electricity and gas has historically been adequate in the metro area. Utility costs have been average for the metro area, particularly when compared with other similar metro areas in the West. At this time, there are no factors which suggest any changes in the adequacy of utility services in the metro area. The trend for solar use and development is gaining momentum. Future development potential is not hampered by current or foreseeable utility shortages in the metro area.

Transportation

The metropolitan area has major airport and freeway infrastructure developments underway which will substantially improve accessibility within the region. According to the public information office at Sky Harbor International Airport, the airport is the 9th busiest airport in the country in terms of number of total passengers. Airline passenger traffic for 2017 was 43,921,670 passengers. This is a large increase from 38,554,530 in 2010. Forecasts suggest a continuing upward trend assuming stable economic conditions.

In order to meet continued demand, the airport has recently completed several extensive upgrades and projects at an estimated cost of \$2.0 billion. The projects include an automated train, new taxiways, and continuation of on-going improvements to airport security.

The Phoenix metropolitan area is served by Interstate 17 (I-17), which runs in a north/south direction and Interstate 10 (I-10), which merges with I-17 near Sky Harbor International Airport. I-17 provides access to Prescott and Flagstaff to the north. I-10 provides access to Los Angeles to the west and Texas, New Mexico and Southeastern and Atlantic Seaboard states to the east. Other metro freeways such as the Loop 101, Loop 202 and the San Tan Freeway also provide access for travelers. According to The Maricopa Association of Governments, new freeways will be added over the next several years, some of which are currently under construction. If population continues to grow as in the past, the freeway system will most likely remain over-taxed. Inefficient transportation has resulted from the development of urban centers and residential developments scattered throughout the metropolitan area. This situation has exacerbated the problem of designing an efficient mass transit system. The light rail project opened for operation in December 2008. The expansion of an additional 3.1 miles to Mesa opened August 22, 2015. Transportation availability and efficiency remains one of the Phoenix area's challenges to future economic growth.

Financial

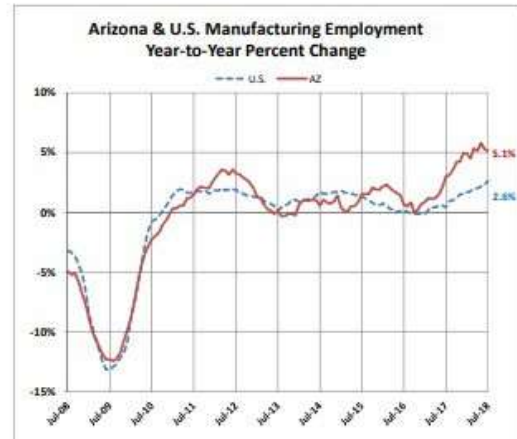
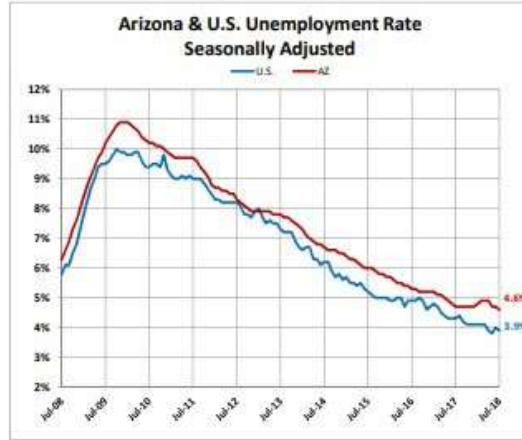
Numerous state and national banks are located throughout the Phoenix area. State-chartered credit unions also serve metropolitan Phoenix. The Phoenix metro area is presently served by a number of large financial institutions such as Bank of America, JP Morgan Chase and Wells Fargo to name a few. Extensive branch banking operations are also maintained by the large national banks as well as many local and regional banks. Banking and financial services adequately serve the needs of the growing metro area.

Education

Metropolitan Phoenix offers a broad educational system from elementary through doctoral degree programs. There are numerous schools of higher learning in the Phoenix area, including Arizona State University. Arizona State University is a major university offering numerous bachelor's degree programs, master's degree programs and doctoral degree programs. ASU has developed a 300-acre site in west Phoenix and has developed significant classrooms and housing in downtown Phoenix, which has revitalized the downtown area in a dramatic fashion.

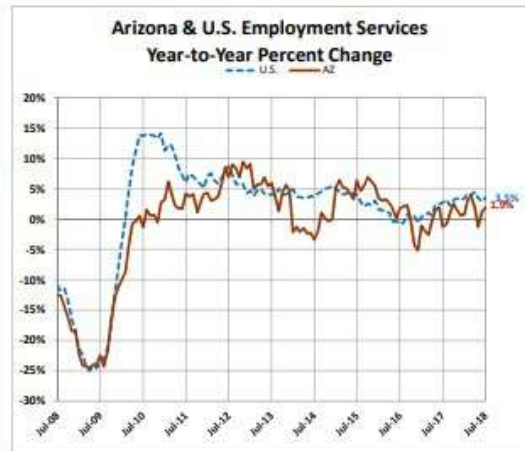
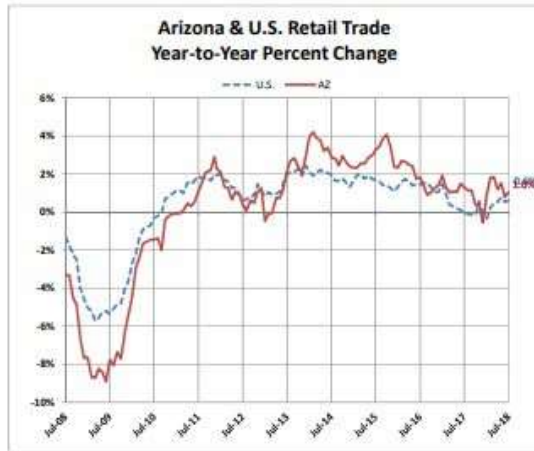
There is also an ASU East Campus located at the Williams Gateway Airport facility. The Phoenix metropolitan area also offers community colleges and other private technical schools offering a wide range of educational opportunities.

LABOR MARKET TRENDS CHARTS



Source: Prepared by the Arizona Office of Economic Opportunity, in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

LABOR MARKET TRENDS CHARTS



Source: Prepared by the Arizona Office of Economic Opportunity, in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Office Market

The following summary of the Greater Phoenix office market relies in part on the Colliers International *Greater Phoenix Office Research & Forecast Report for the 2nd Quarter 2018*.

The Greater Phoenix office market strengthened during the second quarter, fueled by continued tenant demand for space. Net absorption totaled more than one million square feet during the quarter, a figure that has been matched only a few times in the past several years.

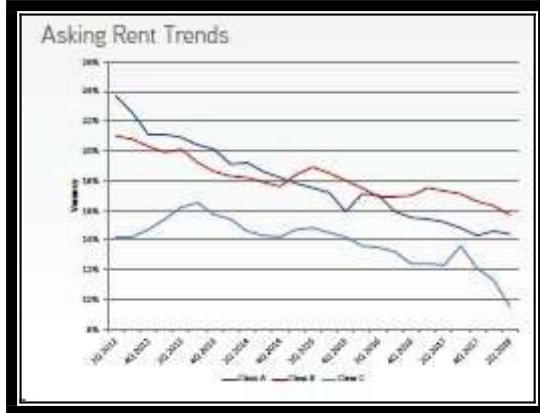


| Market Indicators Relative to prior period | Market Q2 2018 | Market Q2 2017 |
|---|-------------------|-------------------|
| Vacancy | ↓ | ↓ |
| Net Absorption | ↑ | ↑ |
| Construction | ↓ | ↓ |
| Rental Rate | ↑ | ↑ |
| Second Quarter Employment Trends* | | |
| Total Nonfarm Phoenix Metro | ↓ | ↑ |
| Office-Using Phoenix Metro | ↑ | ↑ |
| Total Nonfarm United States | ↓ | ↑ |
| Office-Using United States | ↑ | ↑ |
| *Source: Bureau of Labor Statistics | | |

| Summary Statistics | Phoenix Market | Phoenix Class A | Phoenix Class B |
|--|-------------------|--------------------|--------------------|
| Vacancy Rate | 14.7% | 14.4% | 15.7% |
| Change from 2Q 2017 (bps) | -140 | -80 | -160 |
| Net Absorption (thousands SF) | 1,112 | 352 | 527 |
| New Construction (thousands SF) | 220 | 150 | 70 |
| Under Construction (thousands SF) | 2,963 | 2,427 | 536 |
| Asking Rents Per Square Foot Per Year | \$24.69 | \$28.89 | \$22.69 |
| Change from 2Q 2017 | 2.8% | 2.7% | 2.1% |

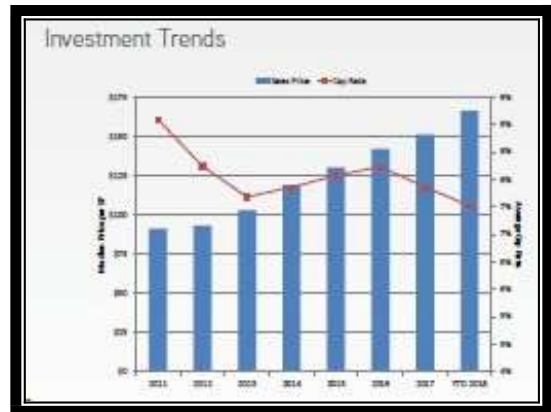
Tenant Demand is being driven by a steady pace of hiring, including continued gains in office-using sectors. Employment in Greater Phoenix is coming from both businesses entering the market, as well as existing companies expanding established operations. The ongoing tenant demand in the marketplace is driving the local vacancy rate lower, but the pace of rent growth has leveled off in recent quarters. Average asking rents are up less than three percent from one year ago, even as the vacancy rate has dipped to its lowest level in more than a decade. The slowing pace of rental growth is not likely to persist given the strong demand in the market.





Overall rental rates could receive a boost from the delivery of new spec projects in the coming quarters. The average asking rent in spec buildings that are currently under way is about 20 percent higher than the average asking rent on existing Class A buildings. Sales of office buildings have been quite active thus far in 2018, as investors are responding to the improving market conditions.

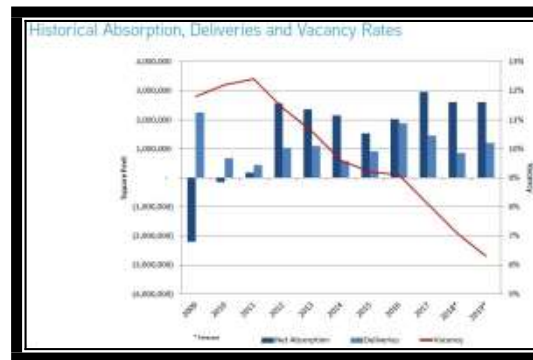
Transaction counts for the first half of 2018 are up about 10 percent from the first half of last year and up more than 15 percent from the average levels over the past five years. Prices are also generally trending higher, while cap rates are averaging approximately seven percent.



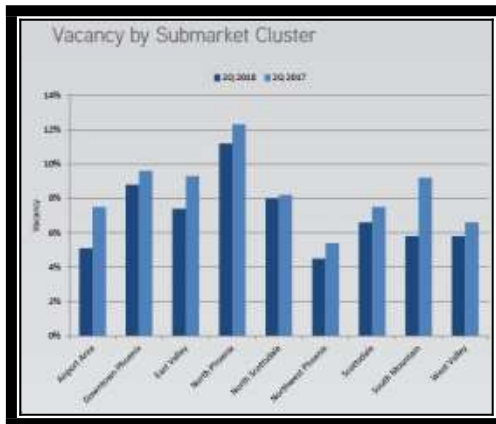
RetailMarket

The following summary of the Greater Phoenix retail market relies in part on the Colliers International *Greater Phoenix Retail Research & Forecast Report for the 2nd Quarter 2018*.

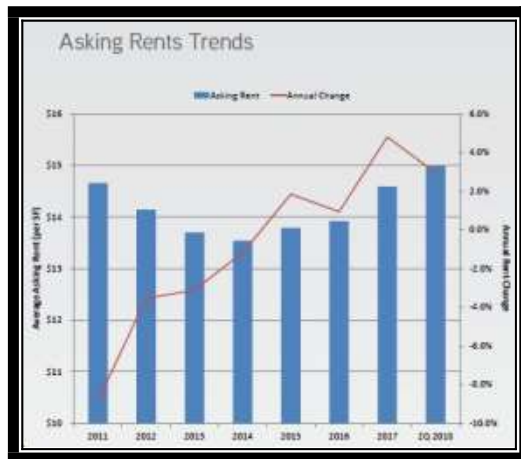
The strong start to the year in the Greater Phoenix retail market continued into the second quarter. In each of the first two quarters of 2018, net absorption has topped 500,000 square feet, and total net absorption for the first half of the year is up nearly 10 percent when compared to the first half of 2017.



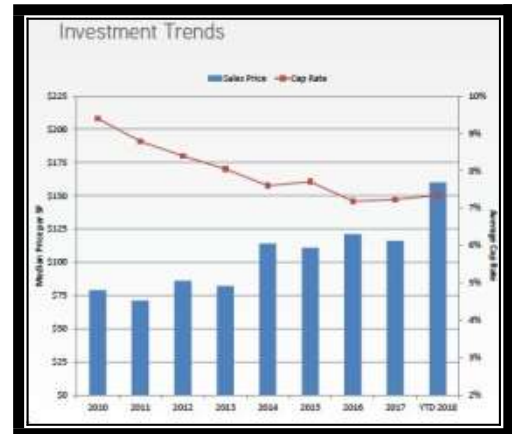
| Market Indicators Relative to prior period | Market Q2 2018 | Market Q2 2017 |
|---|-------------------|-------------------|
| Vacancy | ↓ | ↓ |
| Net Absorption | ↓ | ↑ |
| Construction | ↓ | ↓ |
| Rental Rate | ↑ | ↑ |
| Second Quarter Employment Trends* | | |
| Total Nonfarm Phoenix Metro | ↓ | ↑ |
| Retail Phoenix Metro | ↑ | ↑ |
| Total Nonfarm United States | ↓ | ↑ |
| Retail United States | ↑ | ↓ |
| *Source: Bureau of Labor Statistics | | |
| Summary Statistics | | |
| Phoenix Market | | |
| Vacancy Rate | 7.6% | |
| Change from Q2 2017 (bps) | -130 | |
| Net Absorption (thousands SF) | 577 | |
| New Construction (thousands SF) | 44 | |
| Under Construction (thousands SF) | 605 | |
| Asking Rents Per Square Foot Per Year | \$14.99 | |
| Change from Q2 2017 | 3.0% | |



This tenant demand is driving the local vacancy rate lower.



Retail real estate fundamentals have been improving across the Greater Phoenix market. Vacancy has declined year over year in each of the submarket clusters in the market, with the



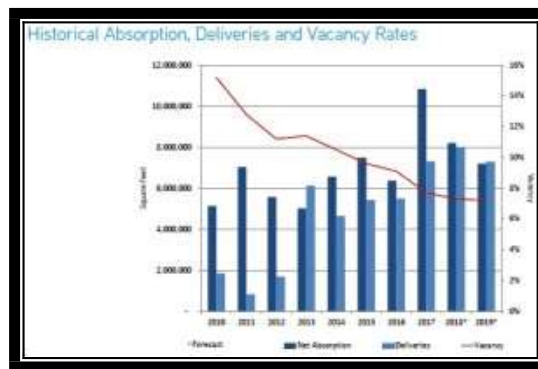
East Valley and Scottsdale recording some of the most significant investment activity cooled off in the second quarter, with fewer shopping centers changing hands at lower prices. While the total number of property transactions slowed, there was an increase in properties priced at \$5 million and higher during the second quarter. This was a continuation of the trend that emerged in 2017, when nearly half of the total transactions in the market were priced at \$5 million or above.

With larger properties changing hands, cap rates are generally lower than they were a few years ago. Cap rates have averaged approximately 7.3 percent year to date, nearly identical to one year ago.

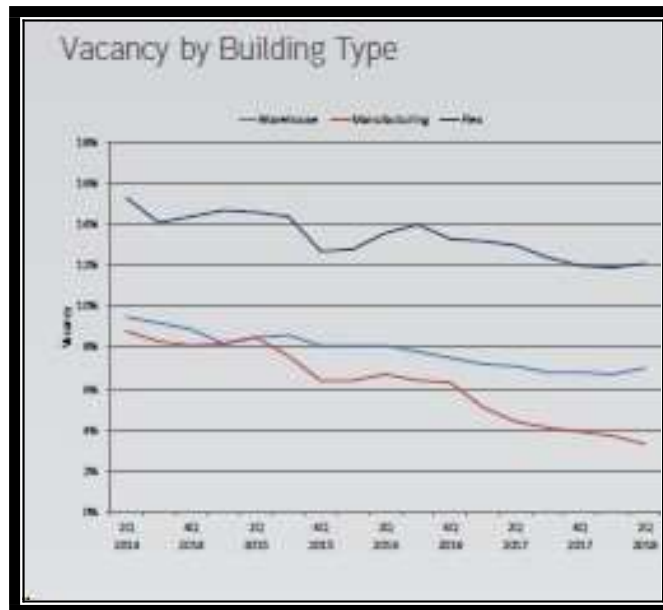
Industrial Market

The following summary of the Greater Phoenix industrial market relies in part on the Colliers International *Greater Phoenix Industrial Research & Forecast Report for the 2nd Quarter 2018*.

After a bit of a cooling off period at the start of the year, the Greater Phoenix industrial market gained momentum during the second quarter. Businesses continue to expand in the Phoenix area, and developers are meeting this demand

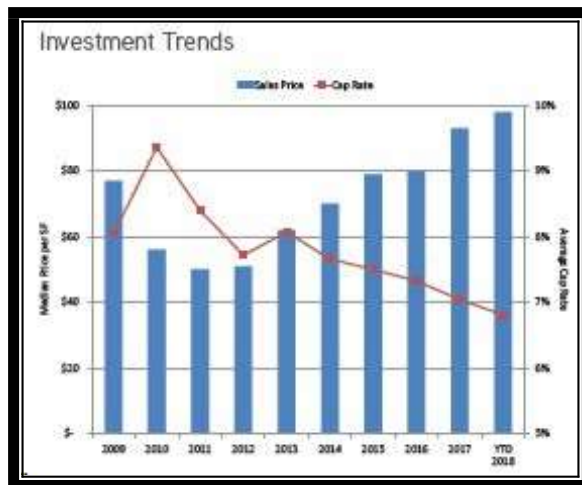


| Market Indicators Relative to prior period | Market 2Q 2018 | Market 2Q 2017 |
|---|---------------------------|-------------------|
| Vacancy | ↓ | ↓ |
| Net Absorption | ↑ | ↓ |
| Construction | ↑ | ↓ |
| Rental Rate | ↑ | ↑ |
| Second Quarter Economic Trends* | | |
| Phoenix Metro Employment | ↓ | ↑ |
| Phoenix Industrial Uses Employment | ↑ | ↑ |
| U.S. Employment | ↓ | ↑ |
| U.S. Industrial Uses Employment | ↓ | ↓ |
| *Source: Bureau of Labor Statistics | | |
| Summary Statistics | Phoenix Industrial Market | |
| Vacancy Rate | 7.2% | |
| Change from 2Q 2017 (bps) | -130 | |
| Net Absorption (thousands SF) | 2,342 | |
| New Construction (thousands SF) | 2,125 | |
| Under Construction (millions SF) | 6.019 | |
| Asking Rents Per Square Foot Per Month | \$0.58 | |
| Change from 2Q 2017 | 3.0% | |



by moving a mix of spec and build-to-suit projects through the pipeline. Net absorption in the local industrial market has exceeded one million square feet in each of the past eight quarters, averaging nearly 2.4 million square feet per quarter in that time. The clearest measure of the health of the local industrial market is the vacancy rate, which at 7.2 percent is at its lowest point in more than a decade. The rate has continued to decline even as new spec projects have come to the market. Vacancy has averaged just 7.6 percent over the past year, the lowest 12-month average since 2006.

The total amount of vacant industrial space has been trimmed in half from the peak of more than 44 million square feet in early 2010 to just over 21 million square feet as of the second quarter. Investment activity for industrial assets accelerated in the second quarter, closing out a very strong first half of 2018. Sales velocity during the first six months of 2018 was more active than in any first half since 2007.

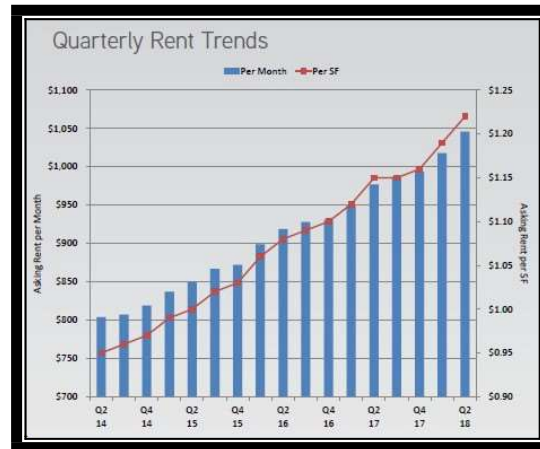


The volume of properties changing hands is being reflected in pricing trends; the median price during the first half of 2018 was nearly \$100 per square foot, building on double-digit price gains recorded in 2017. Cap rates have compressed slightly this year, averaging in the high-six percent range, even as interest rates have begun to push higher. This trend of rising borrowing costs and declining yields is not sustainable in the long term, but cap rates could stay near current ranges in the coming quarters due to strong investor demand and competition for performing assets.

Multi-Family Market

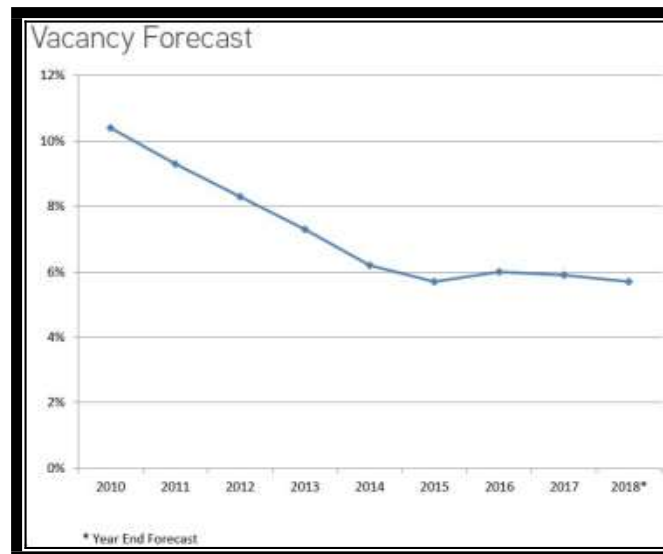
The following summary of the Greater Phoenix multi-family market relies in part on the Colliers International *Greater Phoenix Multi-Family Research & Forecast Report for the 2nd Quarter 2018*.

The Greater Phoenix multifamily market recorded a stronger second quarter than usual in 2018.



| Market Indicators Relative to prior period | Market Q2 2018 | Market Q2 2017 |
|---|-------------------|-------------------|
| Vacancy | ↑ | ↑ |
| Rents | ↑ | ↑ |
| Transaction Activity | ↑ | ↑ |
| Price Per Unit | ↑ | ↑ |
| Cap Rates | ↑ | ↓ |

| Summary Statistics | Phoenix Market |
|-----------------------------------|----------------|
| Vacancy Rate | 5.9% |
| Change from 2Q 2017 (bps) | 0 |
| Asking Rents (per month) | \$1,046 |
| Change from 2Q 2017 | 7.1% |
| Median Sales Price (per unit YTD) | \$131,700 |
| Average Cap Rate (YTD) | 5.1% |

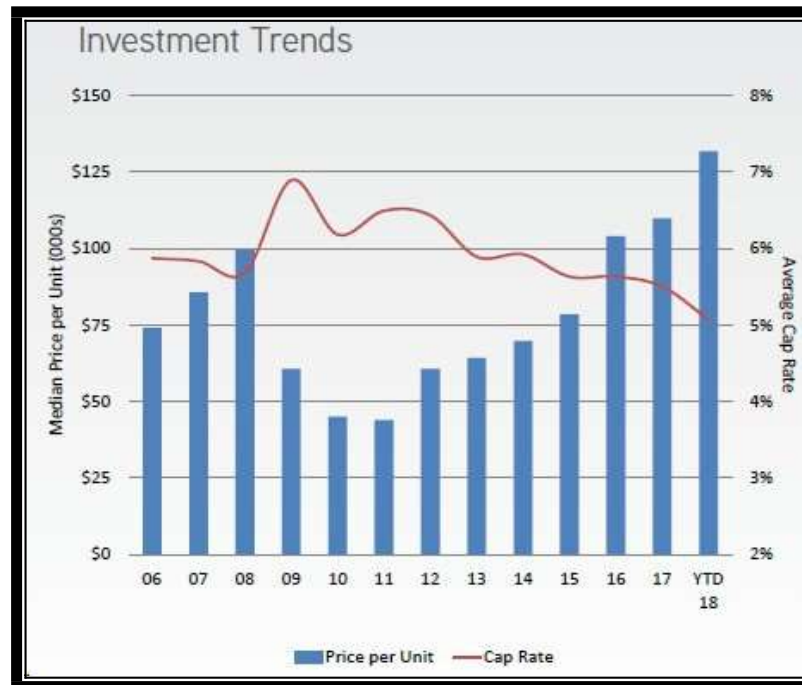
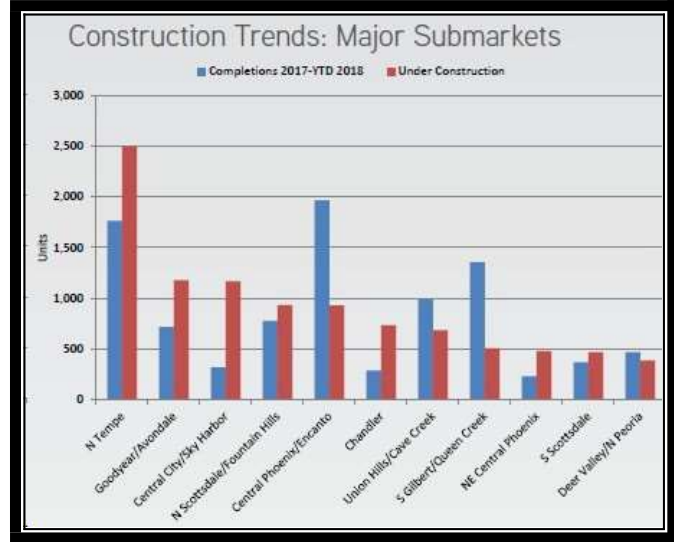


Apartment vacancy typically edges higher in the second quarter in Phoenix, as seasonal residents move to cooler climates. This trend repeated in 2018, with the rate creeping up 50 basis points, but absorption was fairly strong. Net absorption during the second quarter topped 700 units, up more than 35 percent from the same period in 2017. This proved to be the strongest second quarter for net absorption since 2010. With renter demand for units present in the market, the factor that drove vacancy higher during the second

quarter was new development. More than 2,300 units were delivered during the second quarter, and year-to-date completions are up 18 percent from the first half of 2017. Despite the recent deliveries, the development pipeline is quite full, with more than 11,000 units currently under construction across 19 submarkets. New development will be a significant force in the market for at least the next 24 months. Investment in the Greater Phoenix multifamily market was very strong during the second quarter, with activity surging and prices recording a steep rise. Some of the boost in pricing was due to

the mix of properties that changed hands, particularly with some of the market's newest complexes trading. More than 20 percent of the properties that sold during the past three months were complexes that had been built since 2015. These projects traded at a median price of more than \$230,000 per unit during the second quarter, compared to a median price of approximately \$126,000

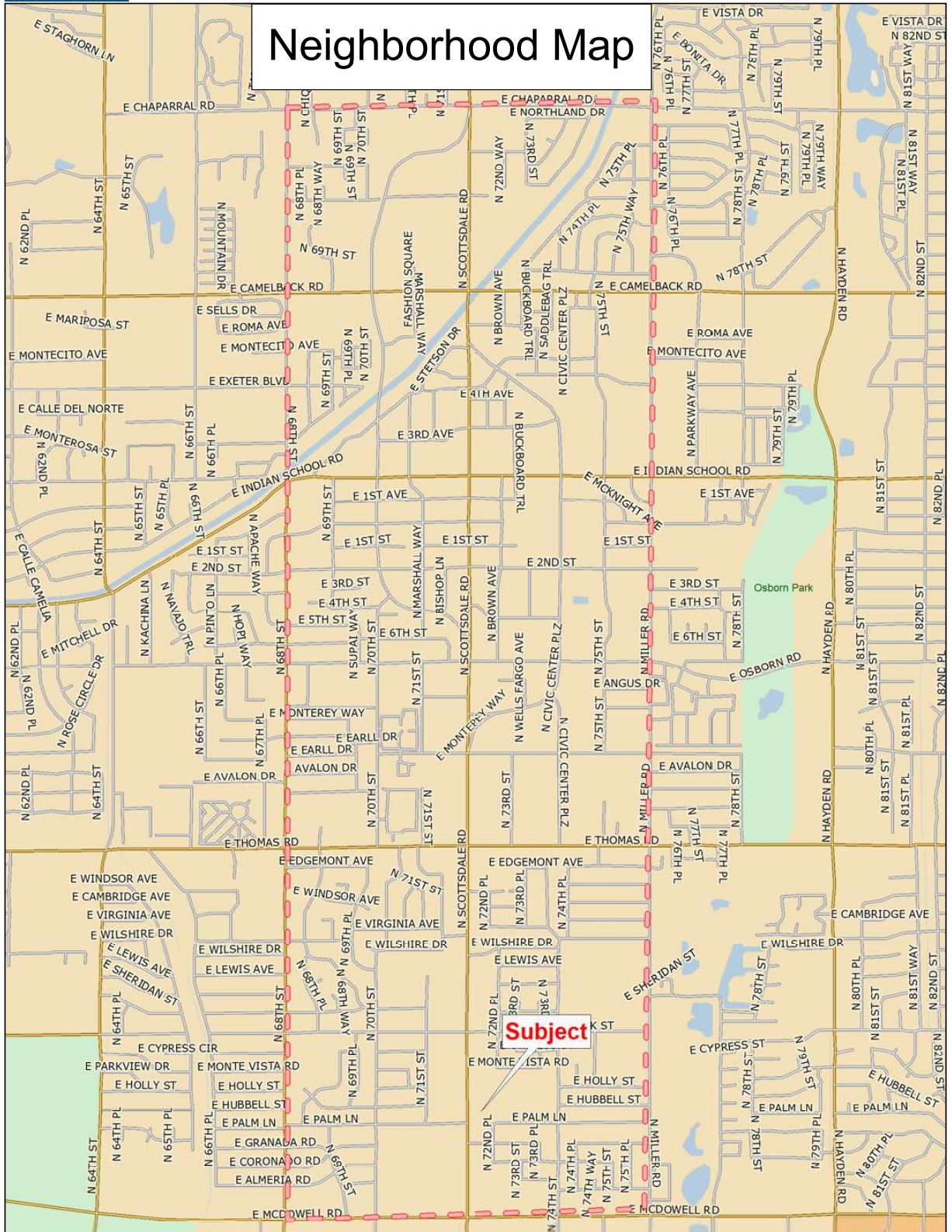
per unit for all other buildings sold during the quarter.



Summary

Most market sectors are showing improvement and steady growth. Barring new shocks to the market, the improving job situation and increasing immigration to the state should help to sustain the recovery that is in process.

Neighborhood Map



Data use subject to license.

© DeLorme. DeLorme Street Atlas USA® 2015.

www.delorme.com



Scale 1 : 22,400

0 600 1200 1800 2400 3000 ft
0 200 400 600 800 1000 m

1" = 1,866.7 ft

Data Zoom 13-2

NEIGHBORHOOD SUMMARY

Neighborhood

1. A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises. *See also* [market area](#). 2. A developed residential superpad within a master planned community usually having a distinguishing name and entrance.³

The intended users of the report are familiar with the subject's location and the geographical milieu in which it is located. The neighborhood description will not be belabored.

The subject property is located in south Scottsdale, and is under the jurisdiction of the City of Scottsdale. The neighborhood is defined by Chaparral Road on the north, McDowell Road on the south, Miller Road on the east, and 68th Street on the west. The neighborhood contains approximately three square miles.

The neighborhood is the epicenter of Scottsdale and includes Scottsdale City offices as well as shopping, lodging and entertainment venues for Scottsdale's thriving tourist industry. The neighborhood has some older commercial and multi-family development with some older housing stock in the interior of the neighborhoods. "Old Town" Scottsdale has an eclectic mix of service, commercial, entertainment, health-care and government uses. Much of the development dates to the 1950's and much is new, intense urban development including a plethora of dense housing product. Municipal utilities and infrastructure are adequate. There is a fire station at Indian School Road and Miller Road, approximately one mile northeast of the subject. The Scottsdale Police Department serves the neighborhood and headquarters are located less than one and one-half miles to the northeast. Scottsdale Healthcare - Osborn hospital serves the health care needs of neighborhood residents and is located slightly over one mile north of the subject, just east of Scottsdale Road, north of Osborn Road.

The subject is located just to the south of the "Old Town" area of downtown Scottsdale.

Surrounding Land Uses

The subject property is surrounded by commercial properties including bars, restaurants and hotels. In conclusion, the subject is located in a mature area of the city of Scottsdale, which is undergoing redevelopment. It has all services and infrastructure that would be expected in a major western metropolis.

³ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "neighborhood." (Chicago: Appraisal Institute, 2015), PDF e-book.

SITE DESCRIPTION

Location

The subject site is located on the northeast quadrant of Palm Lane and Scottsdale Road, in the city of Scottsdale. The address is 2001 North Scottsdale Road, Scottsdale, AZ 85251. There are three commercial lots fronting on Scottsdale that form the west boundary of the property, with the larger portion of the property being R1-7 zoned land on the east side of the alley.

Legal Description

The subject is legally described as a portion of Section 35, Township 2N, Range 4E, G&SRB&M, Maricopa County. A complete legal description for the subject property from the latest conveyance of the subject property is provided in the addendum.

Site Features

The subject site is an irregularly-shaped parcel. The site is approximately 245 feet wide from north to south along its western boundary along Scottsdale Road. It has a maximum north/south dimension of approximately 641 feet along its east side. The reader is referred to the assessor map and aerial photo, attached as exhibits, following the Site Description section of the report.

The site is improved with several small retail buildings and one single-family residence as of the date of inspection. The house does not appear to be occupied. One of the buildings appears to be used by a limousine service.

Adjacent Uses

| | |
|--------|--|
| North: | Single-family residential and commercial |
| East: | Retirement communities and churches |
| South: | Single-family residential and commercial |
| West: | Commercial |

Access

Primary access to the subject is via driveways from Scottsdale Road, Palm Lane and the alley to the north of the subject site. There are no medians in front of the subject property.

The nearest signalized intersection is at Scottsdale Road and McDowell Road, approximately 1/4 mile to the south. Loop 101 is at McDowell Road approximately two miles to the east. Public busses run along Scottsdale Road. Access to the subject is good.

Traffic Count

According to the City of Scottsdale's traffic count map, traffic in front of the subject property along Scottsdale Road was 37,700 VPD in 2016.

Title Report/Restrictions and Easements

No title report was provided by the client. No overhead transmission lines or evidence of other transmission line easements were observed during the inspection. It is assumed that there are no unusual easements or restrictions that would have a material effect on the subject's market value.

Utilities

The utilities that are available to the subject site are shown below.

| | |
|-----------------|-----------------------------------|
| Gas: | Southwest Gas |
| Electricity: | SRP |
| Water: | City of Scottsdale |
| Sewer: | City of Scottsdale |
| Trash Disposal: | City of Scottsdale or private |
| Telephone: | Centurylink and cellular services |

All available utility services are reported to be adequate.

Environmental

A Phase I environmental study was not supplied by the client. No evidence of environmental problems was noted during the inspection of the subject; however, we are not trained to detect environmental contamination. The opinion of value assumes the property is free and clear of any environmental problems.

Topography/Soils

The subject site is level. There was no evidence of puddling or flooding on the subject site. Based on nearby development, there do not appear to be any soil problems. There are very few soil problems in the Phoenix metro area aside from some subsidence issues in the far southeast portion of the Valley.

Zoning/Allowed Property Use

The portion of the subject property that fronts on Scottsdale Road is zoned C-3, Highway Commercial District, by the City of Scottsdale. According to the City's zoning ordinance, C-3 zoning is intended to permit most types of commercial activities and includes the sale of commodities or performance of services for a larger segment of population than the average neighborhood. This district is designed for application on major streets or portions thereof.

Permitted uses in a C-3 zone include, but are not limited to, business and professional services and offices such as; business schools, hospitals for animals, medical or dental offices including a laboratory, museum, optician, municipal uses, and private and charter schools. The following retail sales are also permitted, among others; appliance store, art gallery, big box stores, bookstore, clothing store, department stores, drugstore, hardware store, liquor store, restaurants, hotels, and movie theaters. Churches and daycare centers are also permitted as other uses.

Some of the uses subject to a conditional use permit include; adult uses, bars, bus station, funeral home, pool hall, live entertainment, and plant nursery.

The performance standards for C-3 zoning are detailed in the following table.

| Floor Area Ratio | Required Setbacks | | |
|--------------------------|-------------------|----------------|-----------------|
| | Front Yard | Rear Yard (FT) | Side Yards (FT) |
| <80% of the net lot area | None | 25 or 50 | 25 or 50 |

Source: Sec. 5.1404, Revised Code of the City of Scottsdale

An excerpt from the City of Scottsdale's zoning ordinance, detailing all of the permitted uses in a C-3 zone is provided in the addenda.

The portion of the subject which is located east of the alley to be abandoned (APN 131-19-002V) currently has R1-7, single-family residential district zoning. According to the City's zoning ordinance, R1-7 zoning is intended to promote and preserve urban single-family residential development.

Permitted uses in an R1-7 zone include a single-family dwelling. Uses incidental or accessory to dwellings, recreations, religious and educational facilities are included. Any use permitted in the R1-43 single-family district

Uses subject to a conditional use permit include any use permitted by conditional use permit in the R1-43 single-family residential district. R1-43 district conditional uses include golf courses, cemeteries, wireless communication facilities, farms and private school facilities. Prior to any municipal use, or any use requiring a conditional use permit, Development Review Board approval must be obtained.

Building heights are generally limited to 30 feet. The minimum gross land area required per residential dwelling unit is 7,000 SF. The minimum distance between main buildings on adjacent lots shall not be less than 14 feet. A carport shall be set back a minimum of 10 feet from the front property line. At least 10 feet of separation is required between an accessory building and a main building.

An excerpt from the City of Scottsdale zoning ordinance, detailing all of the permitted uses in a R1-7 zone is provided in the addenda.

Flood Plain

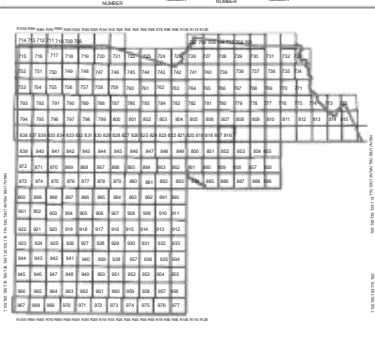
The subject property is located in Zone "X" flood plain (Map #04013C2235L), effective October 16, 2013. Zone "X" is the area determined to be outside the 500-year flood and protected by levee from the 100-year flood. Flood insurance is not required in a Zone "X."

Functional Utility of Site

The site's functional utility is good for commercial or dense multi-family residential purposes. It has an arterial/minor corner location with access along its north, south and west sides. It is not located in a flood plain. It is an ell-shaped parcel.

STATE OF ARIZONA

| TOWNSHIP & RANGE CO. | SECTION | 1/4 SECTION | 1/4 1/4 SECTION |
|-------------------------|---------|-------------|-----------------|
|-------------------------|---------|-------------|-----------------|








Parcels updated within this map



MARICOPA COUNTY
ASSESSOR'S OFFICE
301 W. Jefferson Street
Phoenix, AZ 85003
Date: 09/30/2013
<http://mcassessor.maricopa.gov/assessor/>



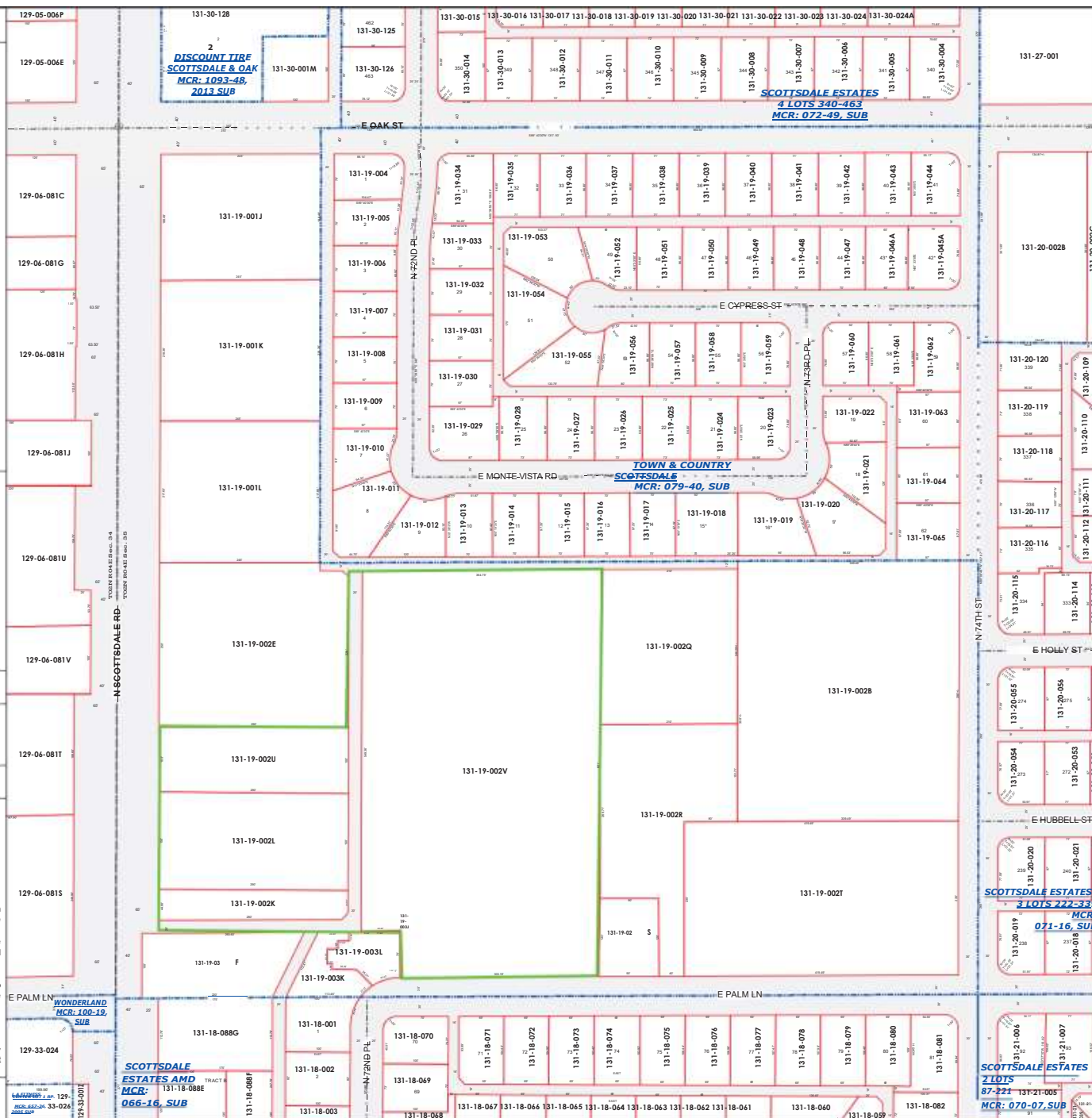
LEGEND:  Parcels  Sections  Centerlines
 Subdivisions  > Section Corners

CAUTION! USERS SHOULD INDEPENDENTLY RESEARCH AND VERIFY INFORMATION WITHIN THIS DATASET OR MAP BEFORE RELYING ON IT.

The Assessor's Office has compiled information within this dataset or map that it uses to identify, classify, and value real and personal property. Please contact the Assessor's Office at 602 506-3406 if you believe any information is incomplete, out-of date, or incorrect so that appropriate corrections can be addressed. Please note that a statutory process is also available to correct errors pursuant to Arizona Revised Statutes 42-16254.

The Assessor does not guarantee that any information contained within this dataset or map is accurate, complete or current. In many instances, the Assessor has gathered information from independent sources and made it available within this dataset or map, and the original information may have contained errors and omissions. Errors and omissions may have occurred in the process of gathering, interpreting, and reporting the information.

Information depicted on this map is not intended to be used "in addition" to other information. Users are cautioned that the projected boundaries within this dataset or map to illustrate the boundaries of adjacent parcels is not always consistent with the recorded documents for such parcels. The parcel boundaries depicted within this dataset or maps are for illustrative purposes only, and the exact relationship of adjacent parcels should be independently researched and verified. The information provided within this dataset or map is not the equivalent of a title report or a real estate survey. Users should independently verify the accuracy of the information before relying on it or using it in the preparation of legal documents.

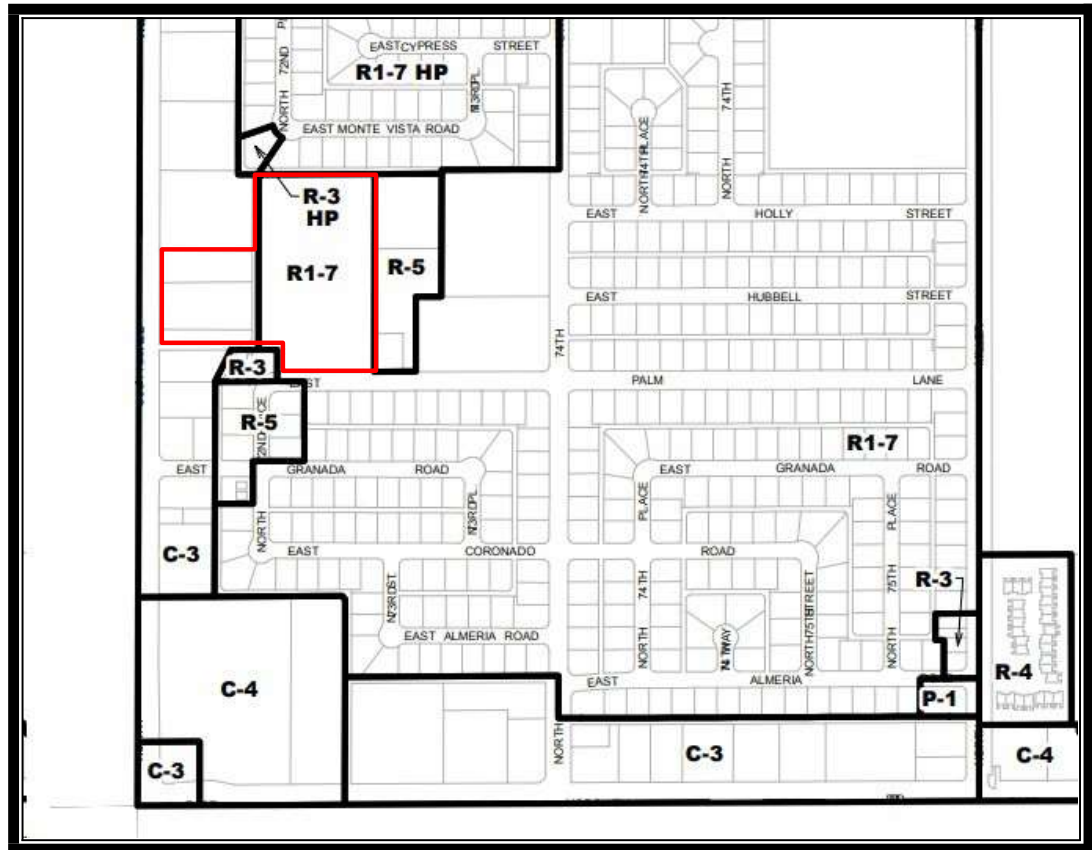


17-AB-2018
10/24/18

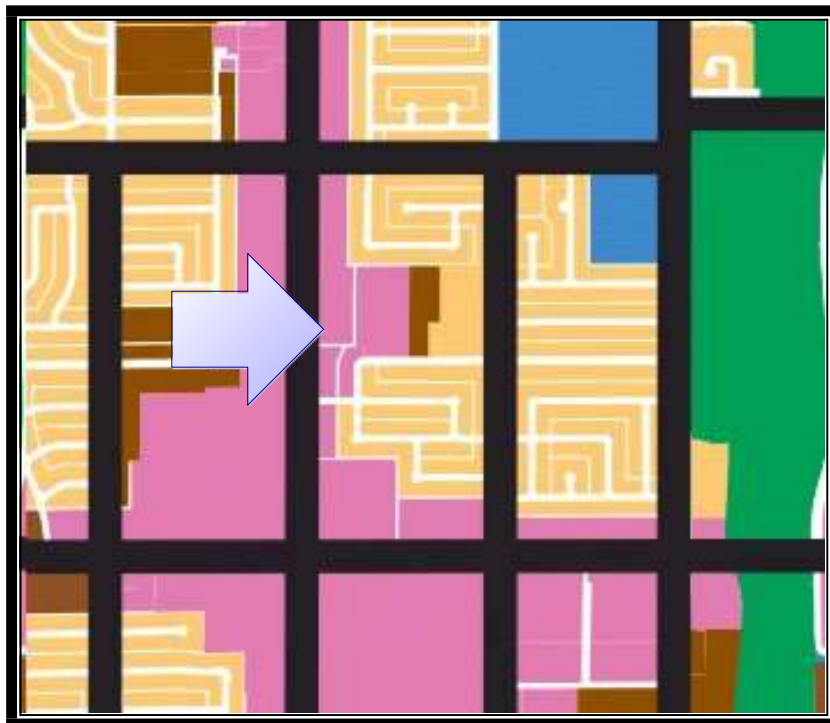
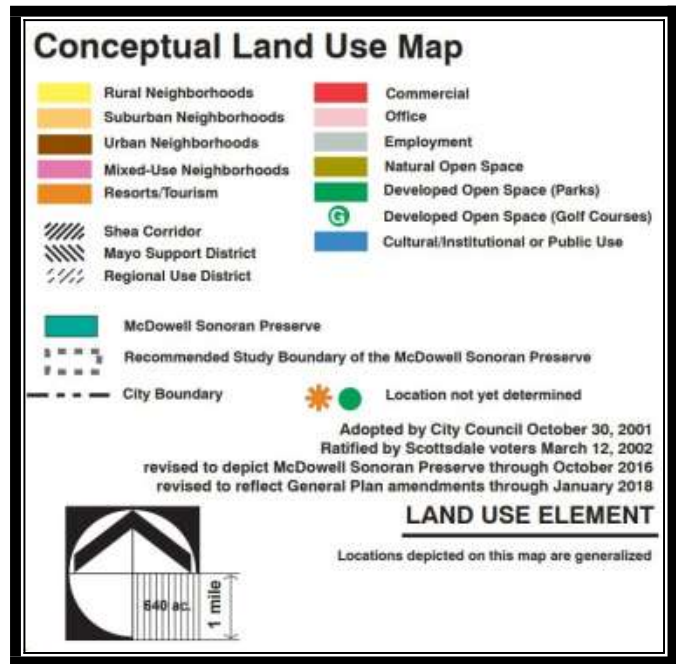
Aerial Photograph



Zoning Map



General Plan Map

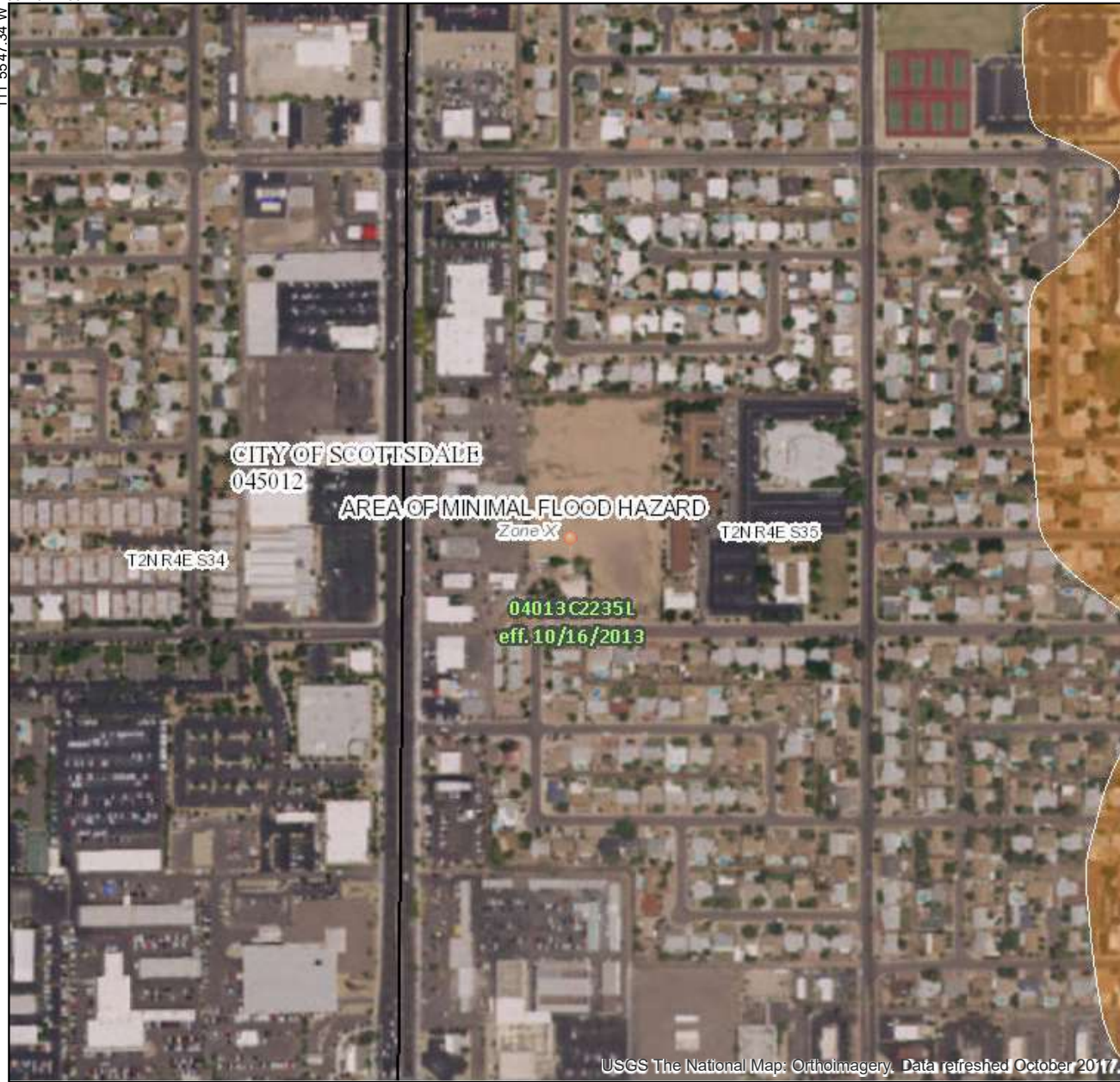


National Flood Hazard Layer FIRMette



33°28'27.33"N

111°55'47.34"W



0 250 500 1,000 1,500 2,000 Feet 1:6,000

33°27'57.31"N

Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

| | | |
|-----------------------------|--|--|
| SPECIAL FLOOD HAZARD AREAS | | Without Base Flood Elevation (BFE) Zone A, V, A99 |
| | | With BFE or Depth Zone AE, AO, AH, VE, AR |
| | | Regulatory Floodway |
| OTHER AREAS OF FLOOD HAZARD | | 0.2 % Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone X |
| | | Future Conditions 1% Annual Chance Flood Hazard Zone X |
| | | Area with Reduced Flood Risk due to Levee. See Notes. Zone X |
| | | Area with Flood Risk due to Levee Zone D |
| OTHER AREAS | | Area of Minimal Flood Hazard Zone X |
| | | Effective LOMRs |
| | | Area of Undetermined Flood Hazard Zone D |
| GENERAL STRUCTURES | | Channel, Culvert, or Storm Sewer |
| | | Levee, Dike, or Floodwall |
| OTHER FEATURES | | 20.2 Cross Sections with 1% Annual Chance Water Surface Elevation |
| | | 17.5 Coastal Transect |
| | | Base Flood Elevation Line (BFE) |
| | | Limit of Study |
| | | Jurisdiction Boundary |
| | | Coastal Transect Baseline |
| | | Profile Baseline |
| MAP PANELS | | Digital Data Available |
| | | No Digital Data Available |
| | | Unmapped |



The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 9/4/2018 at 4:20:22 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

Ü

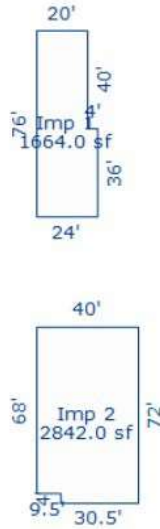
17-AB-2018
10/24/18

DESCRIPTION OF IMPROVEMENTS

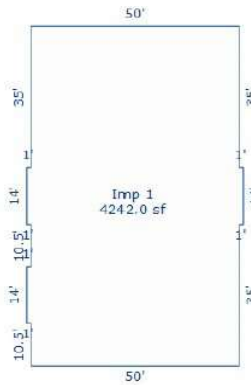
The subject property is comprised of four tax parcels as described below. The information presented is from the Maricopa County Assessor's Office.

| <u>Address</u> | <u>APN</u> | <u>Description</u> | <u>SF GBA</u> | <u>Year Built</u> |
|----------------------------|------------|--|---------------|-------------------|
| 2001 North Scottsdale Road | 002K | Industrial Flex Building and Office Building | 4,506 | 1968-1970 |
| 2003 North Scottsdale Road | 002L | Restaurant | 4,242 | 1980 |
| 2007 North Scottsdale Road | 002U | Multiple Residence and Fast Food Restaurant | 4,837 | 1970-1990 |
| 7242 East Palm Lane | 002V | SFR | 1,692 | 1,957 |

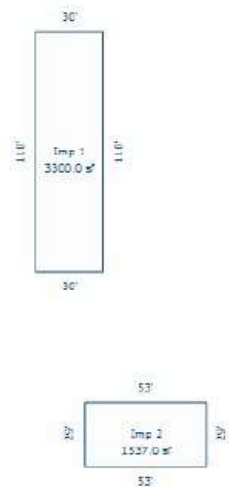
002K



002L



002U



002V



REAL ESTATE TAXES & FULL CASH VALUE

The taxing authority for the subject is Maricopa County. The subject is identified by tax assessor number 131-19-002K, 002L, 002U and 002V.

Assessed valuations are based on "limited and full cash values" estimated by county assessors. Tax rates will vary throughout the county. Assessed valuations are multiplied by both primary and secondary rates. Resulting real estate taxes are a total of both rates applied to primary and secondary assessed valuations. The primary rate includes the State of Arizona, Maricopa County, school district and college funds. The secondary rate accounts for flood zone, CAWCD, bonds, overrides, volunteer fire department and library funds. The assessor uses the Market Approach to value vacant land. The total estimate is called the Full Cash Value (FCV) and it is synonymous with market value according to state statute. It may or may not approximate actual market value since the assessor uses mass formula techniques for these determinations. The assessor values are determined for ad valorem tax purposes. The value ascribed may or may not be related to the fair market value for the subject property.

Taxes and Full Cash Value (FCV)

A four-year tax and assessment history is provided for the privately-owned portion of the subject property below.

| <u>Address</u> | <u>APN</u> | <u>2015 FCV</u> | <u>2016 FCV</u> | <u>2017 FCV</u> | <u>2018 FVC</u> |
|----------------------------|------------|------------------|------------------|------------------|------------------|
| 2001 North Scottsdale Road | 002K | \$254,900 | \$290,000 | \$327,600 | \$392,200 |
| 2003 North Scottsdale Road | 002L | \$589,200 | \$660,800 | \$771,400 | \$864,500 |
| 2007 North Scottsdale Road | 002U | \$547,900 | \$612,100 | \$688,900 | \$845,400 |
| 7242 East Palm Lane | 002V | <u>\$516,100</u> | <u>\$471,000</u> | <u>\$541,200</u> | <u>\$504,700</u> |
| Total | | \$1,064,000 | \$1,083,100 | \$1,230,100 | \$1,350,100 |

| <u>Address</u> | <u>APN</u> | <u>2015 Taxes</u> | <u>2016 Taxes</u> | <u>2017 Taxes</u> | <u>2018 Taxes</u> |
|----------------------------|------------|-------------------|-------------------|-------------------|-------------------|
| 2001 North Scottsdale Road | 002K | \$6,429.94 | \$6,651.32 | \$6,782.88 | \$7,082.22 |
| 2003 North Scottsdale Road | 002L | \$9,595.36 | \$9,808.40 | \$10,002.36 | \$10,443.88 |
| 2007 North Scottsdale Road | 002U | \$4,287.51 | \$4,382.64 | \$4,469.34 | \$4,666.60 |
| 7242 East Palm Lane | 002V | <u>\$3,126.48</u> | <u>\$3,253.76</u> | <u>\$3,319.82</u> | <u>\$3,512.38</u> |
| Total | | \$7,413.99 | \$7,636.40 | \$7,789.16 | \$8,178.98 |

HIGHEST AND BEST USE SUMMARY

Highest and best use may be defined as:

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)

3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions).⁴

The definition of highest and best use indicates that there exist two types of highest and best use. The first type is the highest and best use of the land or site "as if vacant." The second is the highest and best use "as improved." Moreover, in each case the existing use may or may not be different from the site's highest and best use.

The determination of highest and best use results from the appraiser's judgment and analytical skills. The eventual use determined from the analysis represents an opinion, or conclusion, rather than an absolute fact. To determine the highest and best use, four criteria must be considered sequentially. For a use to be the highest and best use, it must be:

- 1) Legally permissible
- 2) Physically possible
- 3) Financially feasible
- 4) Maximally productive

AS IF VACANT

⁴ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "highest and best use." (Chicago: Appraisal Institute, 2015), PDF e-book.

Legally Permissible

The subject property is zoned C-3, Highway Commercial and R1-7, single-family residential district by the City of Scottsdale. This zoning is consistent with the City's General Land Use Plan map, which shows the subject in an area intended for mixed use neighborhood uses.

It is my opinion that uses legally and potentially permitted per the City of Scottsdale, which are generally in conformance with similar uses in the neighborhood, would tend to support the highest and best use of the land, provided that such uses are physically possible and financially feasible for the subject site.

Physically Possible

As if vacant and available for its highest and best use, the subject property contains approximately 7.59 net acres of land area according to figures provided by the client. A soil report was not provided to the appraiser. This is typical in the Phoenix metro area as there are very few soil problems. Based on the inspection, which included a visual observation of the site and surrounding development, there do not appear to be any soil problems. A Phase I environmental study was not supplied by the client. No evidence of environmental problems was noted during the inspection of the subject. The opinion of value assumes the property is free and clear of any environmental problems. The subject is not located in a flood plain. All utilities are available.

The subject parcel has an ell shape has frontage on Scottsdale Road and Palm Lane. Access to the subject site is good. The site appears to be suitable for potential allowable uses within the physical constraints indicated herein. The site size, shape and location appear to be well-suited for commercial uses.

The site appears to be suitable for potential allowable uses within the physical constraints indicated herein. The site size, shape and location appear to be well-suited for high-density residential development, offices, motels, government centers or other uses appropriate for an intense urban area.

Given the location and zoning of the subject, and the General Plan designation, a mixed use development of the site would be legally permissible and physically possible.

Financially Feasible

All projections show ever increasing population and employment growth for the Phoenix Metro area, which will increase the need for commercial, industrial and residential uses in the area generally and including the subject's immediate neighborhood. Mid-rise residential infill projects are becoming more frequent and there appears to be adequate demand as many older properties are being razed for new residential developments.

Maximally Productive & Conclusion - As If Vacant

Given the forgoing considerations with respect to the legally permissible, physically possible and financially feasible criteria, the highest and best use of the subject site "as if vacant" would be for a mixed-use development.

AS IMPROVED

The subject is marginally improved. The highest and best use is to raze the improvements for a new mixed-use development to capitalize on the site's good frontage and location.

As stated in the definition of highest and best use, the conclusion of highest and best use does not represent an absolute fact. Rather, the conclusion is the most reasonable and probable conclusion based on market research. The subject property is ripe for redevelopment. The most probable buyer is a mixed-use developer.

VALUATION PROCESS

Typically, the market value of real estate can be estimated by applying three approaches: cost, sales comparison and income. This is a narrative appraisal report.

COST APPROACH: A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.⁵

Since the subject property is appraised "as if vacant," the cost approach is not applicable.

SALES COMPARISON APPROACH: The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.⁶ The sales comparison approach to value will be employed to value the subject site. It will be appraised "as if vacant."

INCOME APPROACH Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.⁷ The subject site is appraised "as if vacant." The income approach is not applicable.

⁵ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "cost approach." (Chicago: Appraisal Institute, 2015), PDF e-book.

⁶ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "sales comparison approach." (Chicago: Appraisal Institute, 2015), PDF e-book.

⁷ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "income capitalization approach." (Chicago: Appraisal Institute, 2015), PDF e-book.

LAND VALUATION

The subject site will be valued using the sales comparison approach. The sales comparison approach provides an estimate of market value by comparing recent sales of similar properties in the surrounding or competing areas to the subject property. Inherent in this approach is the principle of substitution which holds that "when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based."⁸

By analyzing sales which qualify as arms'-length transactions with reasonable market exposure between willing and knowledgeable buyers and sellers, price trends can be identified from which value parameters may be extracted. Comparability in physical, locational and economic characteristics represent important criteria in analyzing the sales in relation to the subject property. The basic steps involved in the application of this approach are as follows:

1. *Researching recent, relevant sales throughout the competitive area for sales similar to the subject property;*
2. *Selecting properties considered most comparable to the subject, and then analyzing the selected comparable properties giving consideration to the date of sale and any change in economic conditions which may have occurred since the date of value. Other relevant factors of a physical, functional or locational nature are also considered as well as the interest conveyed;*
3. *Reducing the sales price to common units of comparison as indicated by the market;*
4. *Making appropriate adjustments between the comparable properties and the subject property; and,*
5. *Interpreting the adjusted sales data and reaching a valid conclusion of market value.*

To apply this approach to value, the market was searched for land sales considered to be the most similar in terms of location, size, highest and best use, zoning, etc. The sales were analyzed and adjusted for differences between the subject and the comparable. The subject is a parcel of land with mixed zoning and marginal improvements. It is located at the northeast quadrant of Scottsdale Road and Palm Lane in Scottsdale. It contains 330,656 SF of land area. The General Plan shows the subject in an area intended for mixed use neighborhoods which includes hotels and multi-family residential product.

⁸ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "substitution." (Chicago: Appraisal Institute, 2015), PDF e-book.

The unit of comparison used for the subject site is price per SF, as this is the unit commonly used by market participants in the subject's market. Finally, the sales are reconciled into a final indication of market value. The basic elements of comparison have been considered in the adjustment process.

A grid detailing the salient details of the sales are presented on the following page, followed by a location map.

These are the best available sales based on the market research. The sales were all fee simple transactions which were found to be arms'-length. The sales were verified with a broker or a party to the sale when possible. In addition, every sale was verified with recorded and notarized documents, which included the sale price.

VACANT LAND COMPARABLE NUMBER 1



Property Identification Data

| | |
|-------------------------------|--|
| Location: | 7312 East Thomas Road, Scottsdale |
| Legal Description: | Portion of Section 26, T2N, R4E, G&SRB&M |
| Assessor's Tax Parcel Number: | 130-18-029 |

Sale Data

| | |
|------------------------------|--------------|
| Conditions of Sale: | Arms'-length |
| Sale Price: | \$950,000 |
| Financing Terms: | Seller loan |
| Cash Equivalency Adjustment: | N/A |
| Cash Equivalent Price: | \$950,000 |
| Unit Price: | \$25.88/SF |
| Date of Sale: | January 2017 |

| | |
|-------------------------|---|
| Date of Sale Recording: | January 17, 2017 |
| Instrument Type: | Special warranty deed |
| Instrument Number: | 2017-0036409 |
| Seller: | Diamondback Commons, LLC |
| Buyer: | Krista R. Corporation |
| Confirmed By: | Roger Dunlap |
| Confirmed With: | Zach Kottlet, broker with LevRose Real Estate (480) 294-6003 |
| Date Inspected: | September 25, 2018 and previous occasions. |
| Sales History: | No previous sales reported. The property was platted in 2006. |

Site Data

| | |
|----------------|--|
| Shape: | Rectangular |
| Size: | ± 36,711 SF or .84 acres per subdivision plat |
| Zoning: | PUD |
| Frontage: | 160' along the north side of Thomas Road |
| Traffic Count: | 30,800 VPD along Thomas Road (2016) per City of Scottsdale traffic count map |
| Legal Access: | Yes |
| Visibility: | Average |
| Topography: | Level |
| Flood Zone: | X |
| Utilities: | All to site |
| Off Sites: | Paved streets, curbs and gutters |

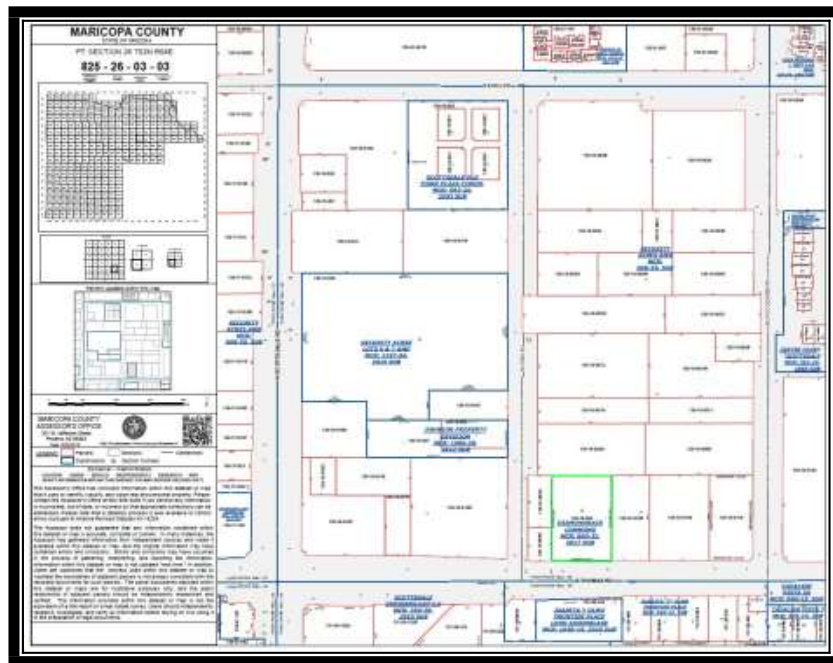
Site Utility: Good

Highest and Best Use: Commercial development

Comments:

The sale property is slated for development with a three-story, limited services (Country Inn) hotel with 44 guest rooms and two condominium units for sale. The sale price equates to \$20,652/key.

Assessor Map & Aerial Photograph - Land Sale 1



VACANT LAND COMPARABLE NUMBER 2



Property Identification Data

| | |
|-------------------------------|---|
| Location: | 8701 East McDowell Road, Scottsdale |
| Legal Description: | Portion of Section 1, T1N, R4E, G&SRB&M |
| Assessor's Tax Parcel Number: | 131-07-560 |

Sale Data

| | |
|------------------------------|-----------------------|
| Conditions of Sale: | Arms'-length |
| Sale Price: | \$3,265,000 |
| Financing Terms: | Cash |
| Cash Equivalency Adjustment: | N/A |
| Cash Equivalent Price: | \$3,265,000 |
| Unit Price: | \$13.85/SF |
| Date of Sale: | April 2017 |
| Date of Sale Recording: | April 26, 2017 |
| Instrument Type: | Special warranty deed |

| | |
|-------------------------|--|
| Instrument Number: | 2017-0298582 |
| Seller: | SD COCO, LLC |
| Buyer: | Southwest Next Land Fund I, LLC and HV and Canal, LLC |
| Date Inspected: | September 25, 2017 and other occasions |
| Sales History: | No other reported sales |
| <u>Site Data</u> | |
| Shape: | Rectangular |
| Size: | ± 235,660 SF or 5.41 acres |
| Zoning: | C-4 |
| Frontage: | 478 feet along the south side of McDowell Road |
| Traffic Count: | 28,000 VPD (2016) per City of Scottsdale traffic count map |
| Legal Access: | Yes |
| Visibility: | Average |
| Topography: | Level |
| Flood Zone: | X |
| Utilities: | All to site |
| Off Sites: | Paved streets, curbs and gutters |
| Site Utility: | Good |
| Highest and Best Use: | Commercial development |

Comments:

The sale property was improved with a car dealership that was built in 2007 and was used only briefly.

Assessor Map & Aerial Photograph - Land Sale 2



VACANT LAND COMPARABLE NUMBER 3



Property Identification Data

| | |
|-------------------------------|--|
| Location: | 3220 North Scottsdale Road, Scottsdale |
| Legal Description: | Portion of Section 27, T2N, R4E, G&SRB&M |
| Assessor's Tax Parcel Number: | 130-16-006A |

Sale Data

| | |
|------------------------------|--------------|
| Conditions of Sale: | Arms'-length |
| Sale Price: | \$16,500,000 |
| Financing Terms: | Cash |
| Cash Equivalency Adjustment: | N/A |
| Cash Equivalent Price: | \$16,500,000 |
| Unit Price: | \$89.89/SF |
| Date of Sale: | June 2017 |

| | |
|-------------------------|--|
| Date of Sale Recording: | June 9, 2017 |
| Instrument Type: | Special warranty deed |
| Instrument Number: | 2017-0420630 |
| Seller: | D.L. Chapman Separate Property Trust et al. |
| Buyer: | CRP/WP Scottsdale Owner, L.L.C. |
| Date Inspected: | October 31, 2017 |
| Sales History: | No other reported sales within the previous five years |

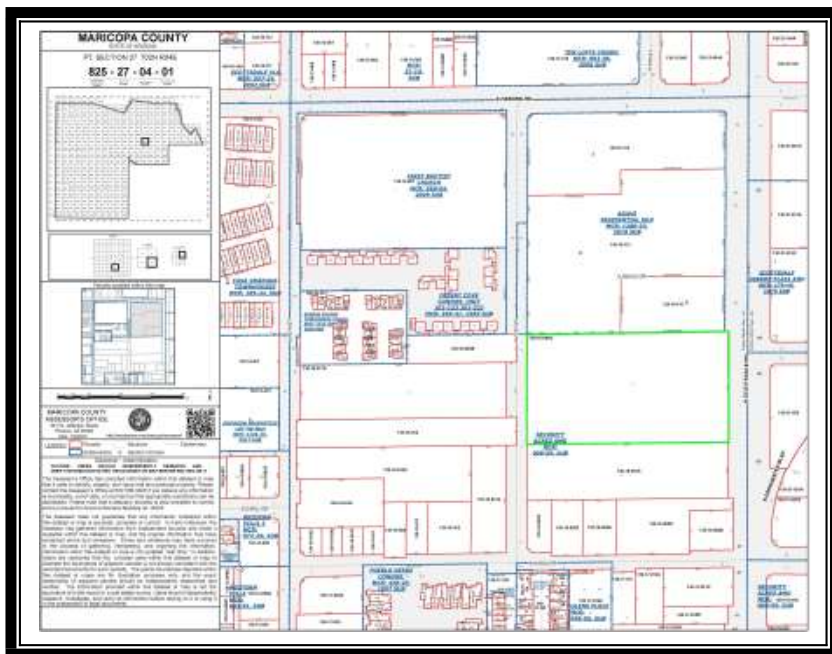
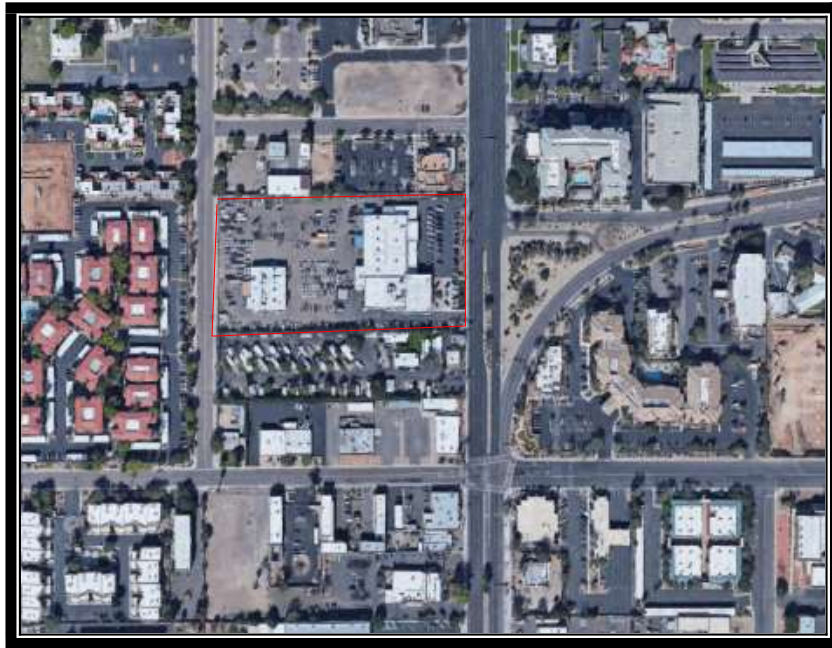
Site Data

| | |
|-----------------------|----------------------------------|
| Shape: | Rectangular |
| Size: | ±183,562 SF or 4.21 acres |
| Zoning: | D/DMU-2, PBD, DO |
| Legal Access: | Yes |
| Visibility: | Average |
| Topography: | Level |
| Flood Zone: | X |
| Utilities: | All to site |
| Off Sites: | Paved streets, curbs and gutters |
| Site Utility: | Good |
| Highest and Best Use: | Commercial development |

Comments:

The sale property is a former automobile dealership. The buyer is a joint venture formed by Wood Partners. The property is approved for 277 apartments. The project ("Alta Drinkwater") will have one, two and three-bedroom units ranging in size from 700 to 1,550 SF and will wrap a parking garage. The property is nearing completion. Advertised rents are \$1,236 to \$2,979/month.

Assessor Map & Aerial Photograph - Land Sale 3



VACANT LAND COMPARABLE NUMBER 4



Property Identification Data

| | |
|-------------------------------|---|
| Location: | 7010 East Continental Drive, Scottsdale |
| Legal Description: | Portion of Section ,T N, R E, G&SRB&M |
| Assessor's Tax Parcel Number: | 129-13-001A and 005A |

Sale Data

| | |
|------------------------------|-----------------------|
| Conditions of Sale: | Arms'-length |
| Sale Price: | \$7,950,000 |
| Financing Terms: | Cash |
| Cash Equivalency Adjustment: | N/A |
| Cash Equivalent Price: | \$7,950,000 |
| Unit Price: | \$19.44/SF |
| Date of Sale: | April 2017 |
| Date of Sale Recording: | July 6, 2018 |
| Instrument Type: | Special warranty deed |

| | |
|--------------------|--|
| Instrument Number: | 2018-0512988 |
| Seller: | MHP Scottsdale L.L.C. |
| Buyer: | Taylor Morrison/Arizona, Inc. |
| Confirmed By: | Roger Dunlap |
| Confirmed With: | <u>Business Real Estate Weekly</u> |
| Date Inspected: | September 25, 2018 |
| Sales History: | The property sold in December 2014 for \$3,675,000 or \$8.98/SF. |

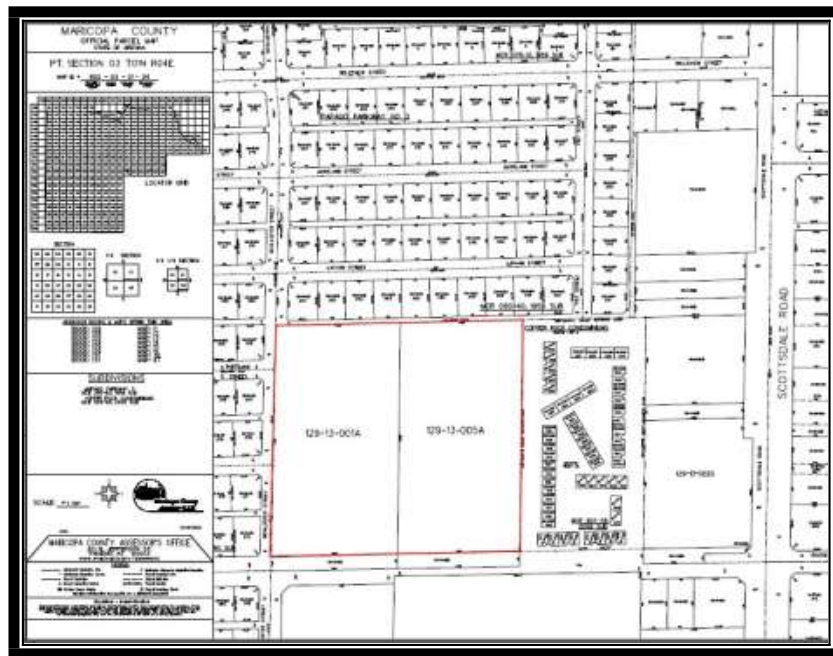
Site Data

| | |
|-----------------------|--|
| Shape: | Rectangular |
| Size: | ± 409,028 SF or 9.39 acres |
| Zoning: | R-5 |
| Frontage: | About 620 feet along the north side of Continental Drive and about 620 feet along the west side of 70 th Street |
| Traffic Count: | 3,100 ADT (2016) along Continental Drive per City of Scottsdale traffic count map. |
| Legal Access: | Yes |
| Visibility: | Average |
| Topography: | Level |
| Flood Zone: | X |
| Utilities: | All to site |
| Off Sites: | Paved streets, curbs and gutters |
| Site Utility: | Good |
| Highest and Best Use: | Residential development |

Comments:

According to Business Real Estate Weekly, the sale property is slated for development with 65 lots, called North 70. Residences will be two-storey with 1,600 - 2,400 SF and ranging in price from the low \$400,000's.

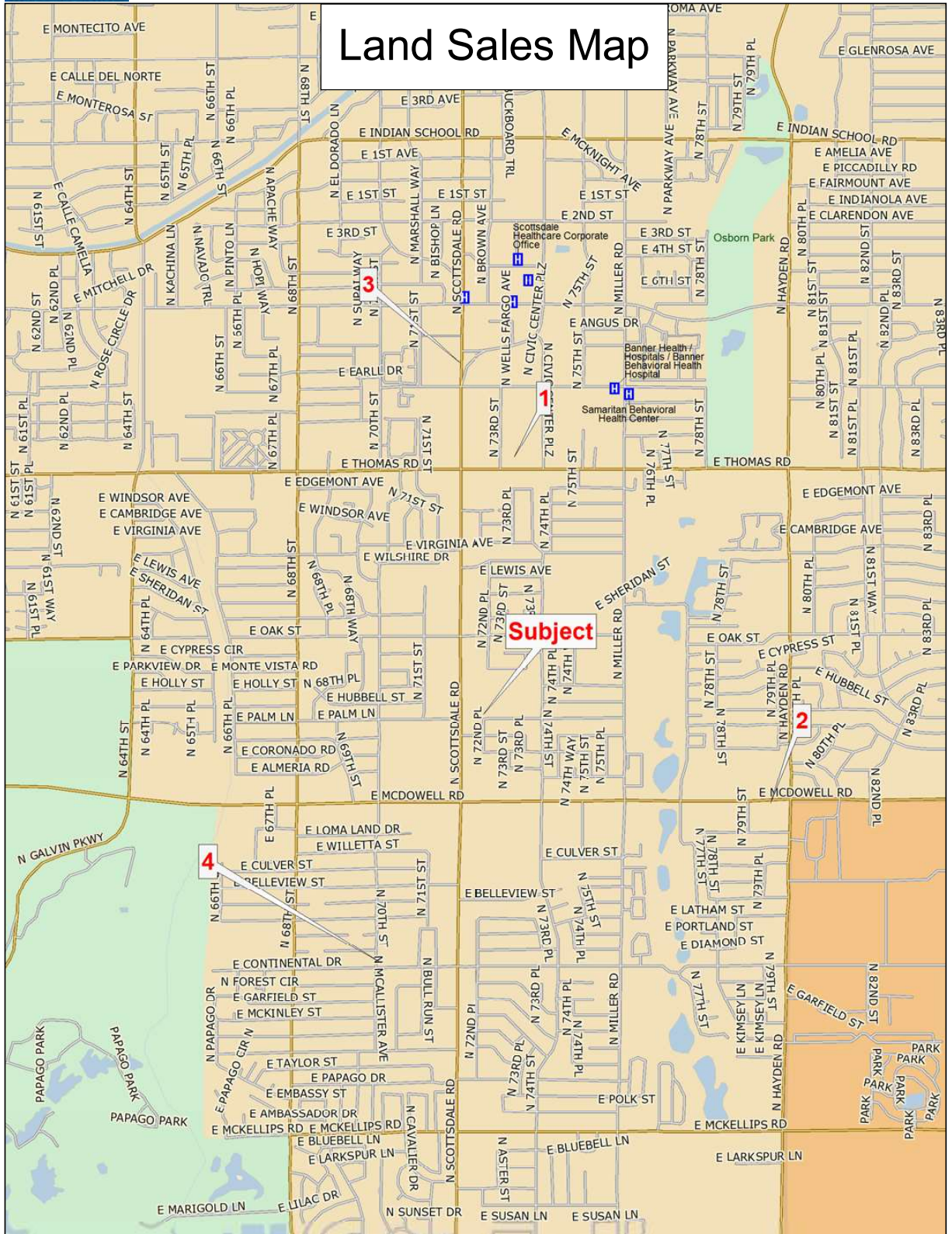
Assessor Map & Aerial Photograph - Land Sale 4



Summary Table of Comparable Land Sales

| Sale | Subject | 1 | 2 | 3 | 4 |
|-------------------|---|-----------------------------------|-------------------------|----------------------------|---|
| Location | Northeast quadrant of Scottsdale Road and Palm Lane | 7312 East Thomas Road, Scottsdale | 8701 East McDowell Road | 3220 North Scottsdale Road | 7010 East Continental Drive, Scottsdale |
| Date of Sale | 9/18/18 (DOV) | 1/17/17 | 4/26/17 | June 2017 | 7/6/18 |
| Price | | \$950,000 | \$3,265,000 | \$16,500,000 | \$7,950,000 |
| Recording Number | | 2017-0036409 | 2017-0298582 | 2017-0420630 | 2018-0512988 |
| Financing | | C/E | Cash | Cash | Cash |
| Site Area (acres) | 7.59 | .84 | 5.41 | 4.21 | 9.39 |
| Topography | Level | Level | Level | Level | Level |
| Utilities | All available | All available | All available | All available | All available |
| Zoning | C-3 and R1-7 | PUD | C-4 | D/DMU-2, PBD, DO | R-5 |
| Flood Zone | X | X | X | X | X |
| Off Sites | All to site | All to site | All to site | All to site | All to site |
| Sale Price/SF | | \$25.88 | \$13.85 | \$89.89 | \$19.44 |

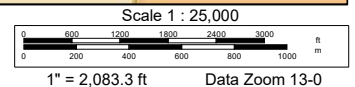
Land Sales Map



Data use subject to license.

© DeLorme, DeLorme Street Atlas USA® 2015.

www.delorme.com



Discussion of Adjustments

All sales were fee simple, cash equivalent, arms'-length transactions and therefore do not require any adjustments for property rights conveyed, financing or conditions of sale. The other adjustment considerations were for market conditions (time), differences in location, zoning, available utilities, parcel shape, parcel size, flood plain, topography and off-site improvements. When a sale's characteristic is considered to be inferior to the subject by comparison, a positive adjustment is made to the comparable's sale price. Conversely, when a sale's characteristic is considered superior in comparison to the subject, a negative adjustment is applied.

An adjustment grid showing the adjustments to the comparables is located at the end of this discussion.

Market Conditions

Real estate values do not move in a linear pattern, but rather in a stairstep fashion to coincide with significant sales of similar properties, events and announcements. The commercial real estate sector in the Valley is showing sustained improvement since the end of the "Great Recession."

A positive market conditions adjustment is applied to all of the sale dates from the date of closing.

Location

The locational adjustment refers to each property's physical location and surrounding property uses in comparison to the subject. The subject is located in downtown Scottsdale in an intense urban area, but does not have arterial frontage.

Land Sale 1 is located on Thomas Road, a short distance east of Scottsdale Road. Scottsdale Road frontage is superior to the sale property's Thomas Road frontage, but the location farther north offsets this. No location adjustment is required for land Sale 1. Land Sales 2 and 4 have inferior locations to the subject but would be competitive for a multi-family residential site. A positive adjustment is required for land Sales 2 and 4. Land Sale 3 has a superior location to the subject's enjoying superior proximity to the downtown core and the amenities of Old Town Scottsdale. A negative location adjustment is required for Land Sale 3.

Zoning

The subject has C-3 and R1-7 zoning. All of the land sales have more intense zoning than the subject and all require a downward adjustment for this element of comparison.

Available Utilities

All utilities are available to the subject with no shortages foreseen. All of the comparable land sales are similar and no adjustment is applied to any of the sales for this factor.

Shape

The subject site is generally ell-shaped. All of the sale properties have adequate shapes to maximize their development potential and no adjustments are required.

Size

The market typically reflects higher sale prices per SF for smaller sales and lower sale prices per SF for larger transactions as there is a larger pool of potential purchasers who can afford to compete for smaller sites. The subject parcel is about 7.59 net acres in size, according to the Maricopa County Assessor. Land Sale 1 is much smaller, but is included in the data set because it is the nearest property to the subject and has a similar intensity of highest and best use (hotel versus high density residential). A downward adjustment is required. Land Sales 2 and 3 are also smaller and require negative size adjustments. Land Sale 4 is larger at 9.39 acres and requires a positive size adjustment.

Flood Plain

The subject is in Zone "X" - Map 04013C2235L. The effective date of the map is October 16, 2013. None of the sale properties are within a flood zone and no adjustments are required from this factor.

Topography

The subject parcel is level and at grade with the surrounding properties as are all of the sale properties. No adjustments are applied to any of the sales for topography.

Off-Sites In Place

This element of comparison refers to the existence of off site improvements such as paved streets, curbs, etc. If these items are not in place a developer will consider his cost to install them at the time of development. The subject property and all of the sales are adjacent to paved streets with legal access. No adjustment is applied to the sales for this criterion.

The following table sets forth the adjustment process described above.

Land Sales Adjustment Grid

| | Subject | L-1 | L-2 | L-3 | L-4 |
|---------------------------------|------------------|--------------------|--------------------|--------------------|--------------------|
| Price/SF | | \$25.88 | \$13.85 | \$89.89 | \$19.44 |
| Property Rights Conveyed | Fee Simple | Fee simple 0% | Fee simple 0% | Fee simple 0% | Fee simple 0% |
| Financing | Cash/C.E. | Cash 0% | Cash/C.E. 0% | Cash/C.E. 0% | Cash 0% |
| Conditions of Sale | Arms'-length | Arms'-length 0% | Arms'-length 0% | Arms'-length 0% | Arms'-length 0% |
| Adjusted Price/SF | | \$25.88 | \$13.85 | \$89.89 | \$19.44 |
| Sale Date | 9/18/18 (DOV) | 1/17/17 + | 4/26/17 + | June 2017 + | 7/6/18 + |
| Location | Good | Similar 0 | Inferior + | Superior - | Inferior + |
| Zoning | C-3 and R1-7 | Superior - | Superior - | Superior - | Superior - |
| Available Utilities | All available | All available | All available | All available | All available |
| Shape | Rectangular | Similar | Similar | Similar | Similar |
| Size (Acres) | 7.59 | .84 - | 5.41 - | 4.21 - | 9.39 + |
| Flood Plain | X | X | X | X | X |
| Topography | Level | Level | Level | Level | Level |
| Off-Sites in Place | All to site | All to site | All to site | All to site | All to site |
| Cumulative Adjustment | | 0 | + | - | + |
| Adjusted Price/SF | | z\$25.88 | >\$13.85 | <\$89.89 | >\$19.44 |

Land Valuation Summary

Based on the adjusted sale prices, the subject's market value "as if vacant," falls below \$89.89 and above \$13.85/SF and \$19.44/SF and around the value of Land Sale 1, after substantial adjustments.

Conclusion

In reference to the previously discussed land valuation and after considering the merits of each sale, the broker opinions and other market data, it is my opinion that the subject's site value is \$26/SF for the ±7.59 net acre (330,656 SF) subject parcel, as follows:

$$\pm 330,656 \text{ SF} \times \$26/\text{SF} = \$8,597,056; \$8,600,000 \text{ rounded}$$

EIGHT MILLION SIX HUNDRED THOUSAND DOLLARS*
\$26 per Square Foot of Land Area

***According to the City of Scottsdale's Abandonment Valuation Procedure dated 2-16-18, interest in the right of way proposed to be abandoned shall be valued as if vacant, as if assembled with the adjoining land, as having an equal zoning classification as the property to which it is proposed to be joined and as available for development to its highest and best use. The subject site, including the area to be abandoned, is appraised under the above hypothetical conditions.**

The hypothetical conditions may have had an effect on assignment results.

Valuation of Right of Way to be Conveyed

The client has requested an opinion of value for the real property rights to be conveyed from the City to the adjacent prospective landowner. The purpose of the assignment is to express an opinion of value of the property rights in the right of way that is to be conveyed by the City of Scottsdale and assembled with the subject property.

There is no way to measure the value of the right of way to be abandoned solely with market data. Sales of small irregular parcels are rare and difficult to locate. Sales of parcels this small and irregularly shaped have limited utility by themselves and therefore the motivations of buyers tend to be varied and idiosyncratic.

In some cases, buyers of small parcels are taking advantage of an opportunity to acquire property at a relatively low price in hopes that in the future, the property can be assembled with an adjacent property or flipped at a slightly higher price to another investor with no concrete plans for the property. In some cases, a given property has no utility by itself, and in other cases the potential exists for the development of a small commercial or office building. In other cases, such as the subject's, a given property cannot be developed by itself, but adds value to an adjacent parcel.

The right of way to be abandoned is 20 feet wide. It would be impossible for buildings to be developed within the abandoned right of way in the unlikely event it was purchased by third- parties. Taking into account that the property to be abandoned has a very limited market (adjacent ownership), and virtually no utility on its own, a deep discount from fee simple value must be applied. In the abstract, if the City were to attempt to sell the right of way on the open market, there is virtually no chance the property would sell unless there was an assemblage actively under way

Market value is a function of the highest and best or most probable use; which, in the case of the across-the-fence property, is for mixed use development. Consistent with the Arizona Department of Transportation *Right of Way Procedures Manual*, FHWA certified January 1, 2016, the adjoining property ("subject property"), was first valued as a separate parcel. The base value of the subject property was concluded to be \$26.00/SF.

The property is then to be valued as assembled with the property to be conveyed. The plottage value created by the assemblage must then be allocated between the adjoining parcel and the excess parcel, recognizing that both parcels are needed to create plottage value, but taking into consideration what each contributes to that value. The portion of the allocation attributed to the property to be conveyed is the market value of the property to be conveyed.

In valuing the assembled parcels, the costs of physically joining the property to be conveyed with the adjacent property, such as earthwork; or soft costs such as professional fees, carrying costs and profit required to realize the plottage value must be considered.

The area of abandonment of fee simple rights in the alley totals 12,047 SF. The base fee simple value was concluded to be \$26/SF.

The alley to be abandoned would logically have a lower unit value than the adjacent parcels because it has a very limited market. There is effectively only one potential buyer of the property - the adjacent owner. The right-of-way to be abandoned is not capable of development on its own as a free-standing site. The right of way would have to be assembled onto one of the adjacent properties to have any significant utility. If the alley is not abandoned, the plat cannot be recorded. It would not be equitable for the City to extract an inordinate payment from the property owner in exchange for giving up unneeded property rights in the subject property

Considering the limited market, shape and utility of the site, a 50% deduction is applied because the City would have to provide a significant discount to stimulate interest in the property to be abandoned.

The value of the right of way proposed for abandonment is $\$26/\text{SF} \times 12,047 \text{ SF} \times 50\% = \$156,611$, rounded to \$155,000.

Based on the market data found in my research, appropriate analysis and professional judgment, it is my opinion that the "as is" market value of the property to be conveyed (fee simple interest in alley), as of the effective date of this appraisal, September 18, 2018, is:

**ONE HUNDRED FIFTY-FIVE THOUSAND DOLLARS
\$155,000**

In summary:

1. I initially determined that the property to be abandoned is a "special purpose" property
2. I determined that "across the fence" methodology is the appropriate and indeed the only appropriate method to value the property to be abandoned.
3. I appraised the subject property and determined the base fee simple value of the abandonment property as a part of the adjacent property.
4. I adjusted the base fee simple value of $\$26.00/\text{SF}$ -50%, because there is only one buyer and one seller for the potential abandonment property.
5. $\$26.00/\text{SF} \times 50\% = \$13.00/\text{SF}$.

EXPOSURE TIME AND MARKETING PERIOD

Exposure Time is defined as:

1. The time a property remains on the market. 2. [The] estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (USPAP, 2016-2017 ed.)¹⁰

Reasonable Marketing Time is defined as:

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.)¹¹

In researching the market for comparables, real estate participants active in the subject's area that are familiar with the subject property type were interviewed concerning a probable marketing period for the subject. In addition, the marketing period for the sales considered as comparables were considered in the estimate.

Based on the information obtained during the course of preparing this appraisal, the conclusion is that a marketing period of about 6-9 month is reasonably probable. This assumes that the subject property is marketed at a value within ten percent of the appraised value, and also assumes professional marketing. The exposure time would also be for a similar period.

⁸ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "exposure time." (Chicago: Appraisal Institute, 2015), PDF e-book.

⁹ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "marketing time." (Chicago: Appraisal Institute, 2015), PDF e-book.

CERTIFICATION

RE: A Narrative Appraisal of a Parcel of Land with Mixed Commercial/Residential Zoning, Located at 2001 North Scottsdale Road; APN 131-19-002K, 002L, 002U, 002V and a Portion of an Alley Containing 12,047 SF, City of Scottsdale, Maricopa County, Arizona 85251

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I have made a personal inspection of the property that is the subject of this report.
9. No one provided significant professional assistance to the appraiser. The conclusions and analyses contained in the report are mine alone.
10. The reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

CERTIFICATION (CONTINUED)

**RE: A Narrative Appraisal of a Parcel of Land with Mixed Commercial/Residential Zoning,
Located at 2001 North Scottsdale Road; APN 131-19-002K, 002L, 002U, 002V and a
Portion of an Alley Containing 12,047 SF, City of Scottsdale, Maricopa County,
Arizona 85251**

11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Roger L. Dunlap has completed the requirements of the continuing education program for designated members of the Appraisal Institute and the State of Arizona.
13. The appraisal assignment and my value conclusions as well as other opinions, analysis and/or judgment expressed herein are not based on a requested minimum valuation, specific valuation or the approval of a loan.
14. The undersigned hereby acknowledges that he has the appropriate education and experience to complete the assignment in a competent manner. The reader is referred to the appraiser's Professional Qualifications located in the Addenda.
15. The appraiser has not performed any services regarding the subject property within the three-year period immediately preceding acceptance of this assignment.

Roger L. Dunlap

Roger L. Dunlap, MAI
Certified General Real Estate Appraiser
Arizona Certificate #31062

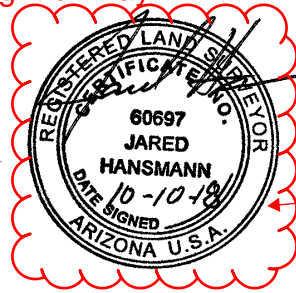
September 26, 2018

Date

Exhibit A
Legal Description
20" Permanent Easement & Right of Way
Abandonment

Land Survey Review By:
Dwayne Haught
Phone: (480) 312-2723
e-mail: dhaught@scottsdaleaz.gov
Review Cycle: 1 Date: 11/20/2018

~~LEGAL DESCRIPTION
EASEMENT ABANDONMENT
JOB NO. 18-116~~



remove from
this page

THAT PORTION OF THE PERMANENT EASEMENT ACCORDING TO DOCKET 5329, PAGE 557, RECORDS OF MARICOPA COUNTY, ARIZONA, DESCRIBED IN SAID DOCKET AS PARCEL 2 EXCEPT THE NORTH 12 FEET THEREOF, AND PARCELS 4(A), 4(B), 4(C), AND 4(D). ALL BEING LOCATED IN THE SOUTHWEST QUARTER OF SECTION 35, TOWNSHIP 2 NORTH, RANGE 4 EAST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

show these parcels in
the exhibit B

COMMENCING AT WEST QUARTER OF SAID SECTION 35, FROM WHICH THE SOUTHWEST CORNER OF SAID SECTION 35 BEARS SOUTH 00 DEGREES 11 MINUTES 47 SECONDS WEST, ~~A DISTANCE OF~~ 665.00 FEET;

THENCE SOUTH 00 DEGREES 11 MINUTES 47 SECONDS WEST, ON THE WEST LINE OF SAID SECTION 35, ~~A DISTANCE OF~~ 665.00 FEET;

THENCE NORTH 89 DEGREES 48 MINUTES 57 SECONDS EAST, ON THE NORTH LINE OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER, ~~A DISTANCE OF~~ 355.01 FEET;

THENCE SOUTH 00 DEGREES 11 MINUTES 47 SECONDS WEST, DEPARTING SAID NORTH LINE, ~~A DISTANCE OF~~ 12.00 FEET TO THE **POINT OF BEGINNING**;

THENCE NORTH 89 DEGREES 48 MINUTES 57 SECONDS EAST, ~~A DISTANCE OF~~ 30.00 FEET;

THENCE SOUTH 45 DEGREES 00 MINUTES 22 SECONDS WEST, ~~A DISTANCE OF~~ 14.19 FEET;

THENCE SOUTH 00 DEGREES 11 MINUTES 47 SECONDS WEST, ~~A DISTANCE OF~~ 543.08 FEET;

THENCE SOUTH 89 DEGREES 48 MINUTES 57 SECONDS WEST, ~~A DISTANCE OF~~ 20.00 FEET;

THENCE NORTH 00 DEGREES 11 MINUTES 47 SECONDS EAST, ~~A DISTANCE OF~~ 0.34 FEET;

THENCE SOUTH 89 DEGREES 46 MINUTES 33 SECONDS WEST, ~~A DISTANCE OF~~ 65.66 FEET;

THENCE NORTH 27 DEGREES 06 MINUTES 23 SECONDS EAST, ~~A DISTANCE OF~~ 22.37 FEET;

THENCE NORTH 89 DEGREES 48 MINUTES 57 SECONDS EAST, ~~A DISTANCE OF~~ 11.25 FEET;

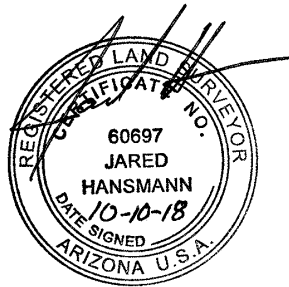
THENCE NORTH 00 DEGREES 11 MINUTES 47 SECONDS EAST, ~~A DISTANCE OF~~
0.15 FEET;

THENCE NORTH 89 DEGREES 48 MINUTES 57 SECONDS EAST, ~~A DISTANCE OF~~
34.28 FEET;

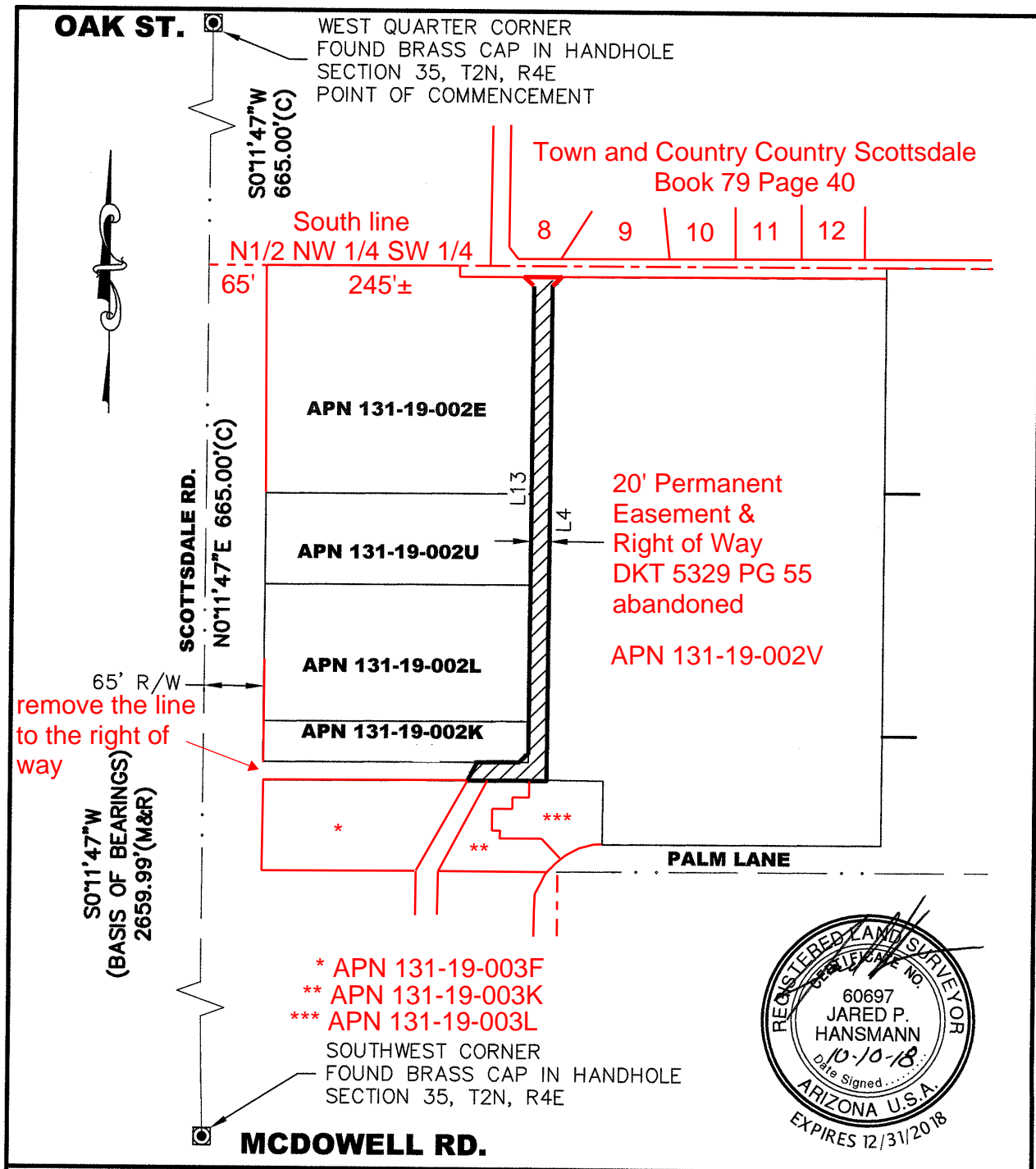
THENCE NORTH 45 DEGREES 00 MINUTES 20 SECONDS EAST, ~~A DISTANCE OF~~
14.19 FEET;

THENCE NORTH 00 DEGREES 11 MINUTES 47 SECONDS EAST, ~~A DISTANCE OF~~
522.76 FEET TO THE **POINT OF BEGINNING**.

SAID PARCEL CONTAINS 12,371 SQUARE FEET OR 0.284 ACRES, MORE OR
LESS.



use 2 decimal places for the
acreage expression and
provide closure calculations



show the portions being abandoned with lables

reduce the boldness of these APNs, this information is subordinate

SIG
SURVEY INNOVATION
GROUP, INC

Exhibit B
20" Permanent Easement & Right of Way Abandonment

Ph (480) 922 0780 Land Surveying Services Fx (480) 922 0781
22425 N. 16th ST., SUITE 1, PHOENIX, ARIZONA 85024

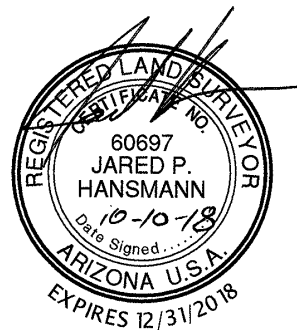
| | | |
|----------------|-------------------------|---------------|
| JOB #18-116 | DWG: 18-116 LEGAL ABAN. | DATE 10-10-18 |
| SCALE: 1"=150' | DRAWN: JPH | CHK: JAS |
| | | SHEET 1 OF 2 |

Explain why is there a bearing changes along the South portions of the abandonment area? Prepare a detail of the North & South ends of the abandonment with its context annotated.

17-AB-2018
10/24/18

revise geometry per exhibit b page 1

| LINE TABLE | | |
|------------|-------------|---------|
| LINE | DIRECTION | LENGTH |
| L1 | S0°11'47"W | 12.00' |
| L2 | N89°48'57"E | 30.00' |
| L3 | S45°00'22"W | 14.19' |
| L4 | S0°11'47"W | 543.08' |
| L5 | S89°48'57"W | 20.00' |
| L6 | N0°11'47"E | 0.34' |
| L7 | S89°46'33"W | 65.66' |
| L8 | N27°06'23"E | 22.37' |
| L9 | N89°48'57"E | 11.25' |
| L10 | N0°11'47"E | 0.15' |
| L11 | N89°48'57"E | 34.28' |
| L12 | N45°00'20"E | 14.19' |
| L13 | N0°11'47"E | 522.76' |



SIG
SURVEY INNOVATION
GROUP, INC

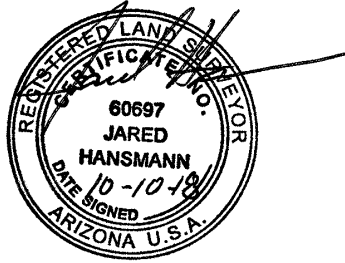
Exhibit B
20" Permanent Easement & Right of Way
Abandonment

Ph (480) 922 0780 *Land Surveying Services* Fx (480) 922 0781
22425 N. 16th ST., SUITE 1, PHOENIX, ARIZONA 85024

| | | |
|---------------|-------------------------|---------------|
| JOB #18-116 | DWG: 18-116 LEGAL ABAN. | DATE 10-10-18 |
| SCALE: N.T.S. | DRAWN: JPH | CHK: JAS |
| | | SHEET 2 OF 2 |

17-AB-2018
10/24/18

**LEGAL DESCRIPTION
EASEMENT ABANDONMENT
JOB NO. 18-116**



THAT PORTION OF THE PERMANENT EASEMENT ACCORDING TO DOCKET 5329, PAGE 557, RECORDS OF MARICOPA COUNTY, ARIZONA, DESCRIBED IN SAID DOCKET AS PARCEL 2 EXCEPT THE NORTH 12 FEET THEREOF, AND PARCELS 4(A), 4(B), 4(C), AND 4(D). ALL BEING LOCATED IN THE SOUTHWEST QUARTER OF SECTION 35, TOWNSHIP 2 NORTH, RANGE 4 EAST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT WEST QUARTER OF SAID SECTION 35, FROM WHICH THE SOUTHWEST CORNER OF SAID SECTION 35 BEARS SOUTH 00 DEGREES 11 MINUTES 47 SECONDS WEST, A DISTANCE OF 665.00 FEET;

THENCE SOUTH 00 DEGREES 11 MINUTES 47 SECONDS WEST, ON THE WEST LINE OF SAID SECTION 35, A DISTANCE OF 665.00 FEET;

THENCE NORTH 89 DEGREES 48 MINUTES 57 SECONDS EAST, ON THE NORTH LINE OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER, A DISTANCE OF 355.01 FEET;

THENCE SOUTH 00 DEGREES 11 MINUTES 47 SECONDS WEST, DEPARTING SAID NORTH LINE, A DISTANCE OF 12.00 FEET TO THE **POINT OF BEGINNING**;

THENCE NORTH 89 DEGREES 48 MINUTES 57 SECONDS EAST, A DISTANCE OF 30.00 FEET;

THENCE SOUTH 45 DEGREES 00 MINUTES 22 SECONDS WEST, A DISTANCE OF 14.19 FEET;

THENCE SOUTH 00 DEGREES 11 MINUTES 47 SECONDS WEST, A DISTANCE OF 543.08 FEET;

THENCE SOUTH 89 DEGREES 48 MINUTES 57 SECONDS WEST, A DISTANCE OF 20.00 FEET;

THENCE NORTH 00 DEGREES 11 MINUTES 47 SECONDS EAST, A DISTANCE OF 0.34 FEET;

THENCE SOUTH 89 DEGREES 46 MINUTES 33 SECONDS WEST, A DISTANCE OF 65.66 FEET;

THENCE NORTH 27 DEGREES 06 MINUTES 23 SECONDS EAST, A DISTANCE OF 22.37 FEET;

THENCE NORTH 89 DEGREES 48 MINUTES 57 SECONDS EAST, A DISTANCE OF 11.25 FEET;

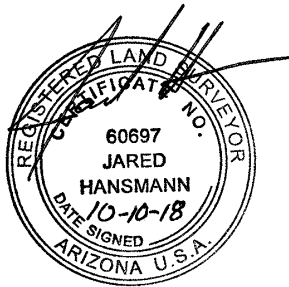
THENCE NORTH 00 DEGREES 11 MINUTES 47 SECONDS EAST, A DISTANCE OF 0.15 FEET;

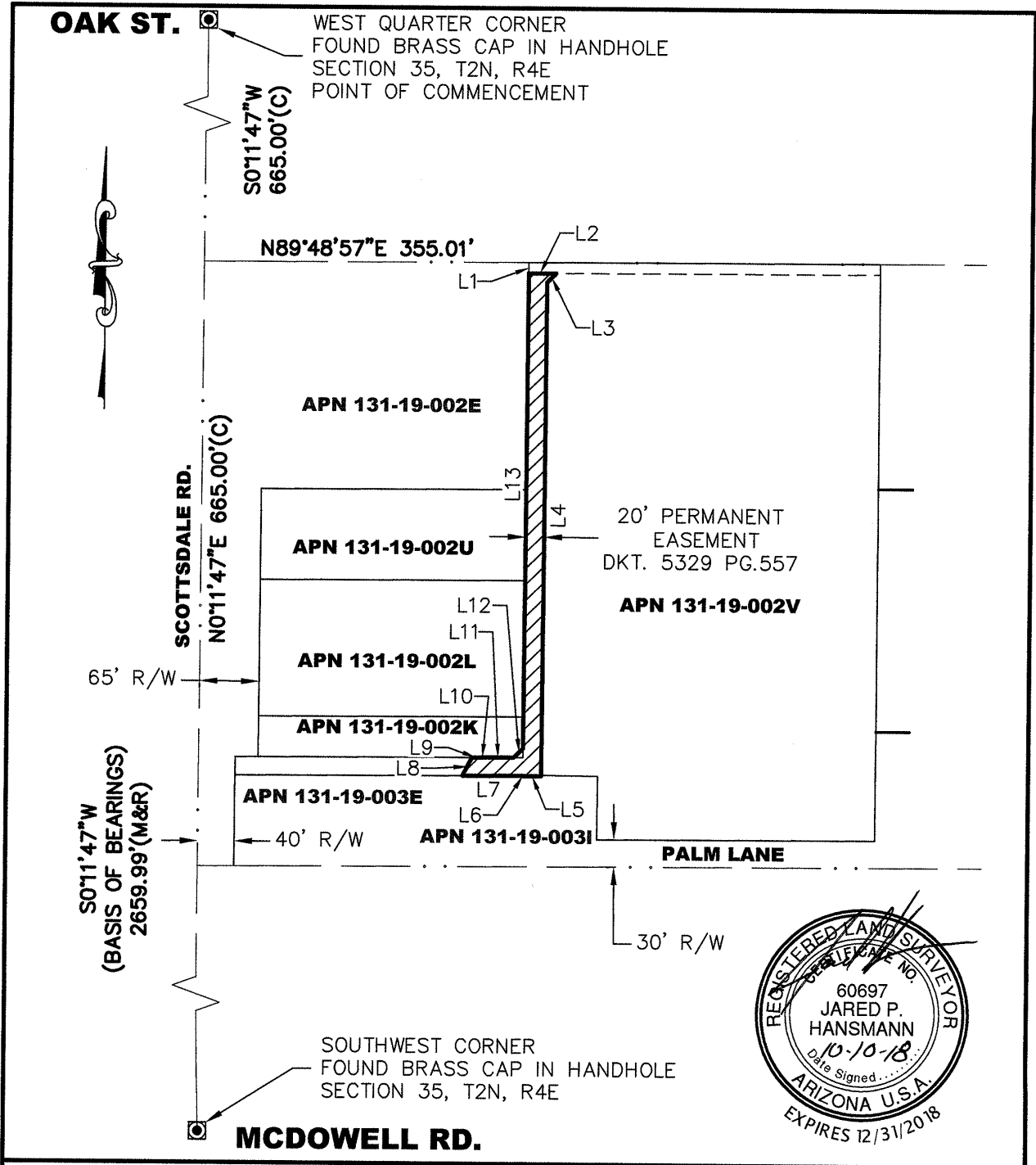
THENCE NORTH 89 DEGREES 48 MINUTES 57 SECONDS EAST, A DISTANCE OF 34.28 FEET;

THENCE NORTH 45 DEGREES 00 MINUTES 20 SECONDS EAST, A DISTANCE OF 14.19 FEET;

THENCE NORTH 00 DEGREES 11 MINUTES 47 SECONDS EAST, A DISTANCE OF 522.76 FEET TO THE **POINT OF BEGINNING**.

SAID PARCEL CONTAINS 12,371 SQUARE FEET OR 0.284 ACRES, MORE OR LESS.





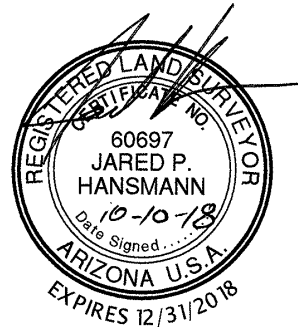
SIG
SURVEY INNOVATION
GROUP, INC

**PERMANENT EASEMENT
ABANDONMENT
SCOTTSDALE, AZ**

Ph (480) 922 0780 *Land Surveying Services* Fx (480) 922 0781
22425 N. 16th ST., SUITE 1, PHOENIX, ARIZONA 85024

| | | |
|----------------|-------------------------|---------------|
| JOB #18-116 | DWG: 18-116 LEGAL ABAN. | DATE 10-10-18 |
| SCALE: 1"=150' | DRAWN: JPH | CHK: JAS |
| | | SHEET 1 OF 2 |

| LINE TABLE | | |
|------------|-------------|---------|
| LINE | DIRECTION | LENGTH |
| L1 | S0°11'47"W | 12.00' |
| L2 | N89°48'57"E | 30.00' |
| L3 | S45°00'22"W | 14.19' |
| L4 | S0°11'47"W | 543.08' |
| L5 | S89°48'57"W | 20.00' |
| L6 | N0°11'47"E | 0.34' |
| L7 | S89°46'33"W | 65.66' |
| L8 | N27°06'23"E | 22.37' |
| L9 | N89°48'57"E | 11.25' |
| L10 | N0°11'47"E | 0.15' |
| L11 | N89°48'57"E | 34.28' |
| L12 | N45°00'20"E | 14.19' |
| L13 | N0°11'47"E | 522.76' |



SIG
SURVEY INNOVATION
GROUP, INC

**PERMANENT EASEMENT
ABANDONMENT
SCOTTSDALE, AZ**

Ph (480) 922 0780 *Land Surveying Services* Fx (480) 922 0781
22425 N. 16th ST., SUITE 1, PHOENIX, ARIZONA 85024

| | | |
|---------------|-------------------------|---------------|
| JOB #18-116 | DWG: 18-116 LEGAL ABAN. | DATE 10-10-18 |
| SCALE: N.T.S. | DRAWN: JPH | CHK: JAS |
| | | SHEET 2 OF 2 |

17-AB-2018
10/24/18

August 28, 2018

Via Hand-Delivery with Application, to:


City of Scottsdale
Planning & Development Services Department
7447 East Indian School Road, Suite 105
Scottsdale, Arizona 85251

Re: Letter of Authorization – Alexan Scottsdale 2001 N. Scottsdale Road

To Whom It May Concern:

This letter authorizes the firms and companies of Trammell Crow Residential, Berry Riddell, Kimley Horn, Davis, Young Design Group, J2 Engineering & Design, and Technical Solutions to represent and act on behalf of **Palm Lane Partners, LLC** in connection with the Zoning, Abandonment and Development Review Board applications, as well as any related City matters/applications for the property located 2001 N. Scottsdale Road (Scottsdale & Palm Lane), APN#131-19-002K, 131-19-002L, 131-19-002U, 131-19-002V in the City of Scottsdale, Maricopa County, Arizona.

Palm Lane Partners, LLC



Title: HANDLER / OWNER

INFORMATION

The Title Insurance Commitment is a legal contract between you and the Company. It is issued to show the basis on which we will issue a Title Insurance Policy to you. The Policy will insure you against certain risks to the land title, subject to the limitations shown in the Policy

The Company will give you a sample of the Policy form, if you ask.

The Commitment is based on the land title as of the Commitment Date. Any changes in the land title or the transaction may affect the Commitment and the Policy.

The Commitment is subject to its Requirements, Exceptions and Conditions.

THIS INFORMATION IS NOT PART OF THE TITLE INSURANCE COMMITMENT.



**COMMITMENT FOR TITLE INSURANCE
ISSUED BY**

Clear Title Agency of Arizona, LLC

Issuing agent for First American Title Insurance Company

TABLE OF CONTENTS

| | |
|---|------------------------|
| AGREEMENT TO ISSUE POLICY | on the following page |
| COMMITMENT DATE | Schedule A (Page 1) |
| POLICIES TO BE ISSUED, AMOUNTS AND PROPOSED INSURED | Schedule A (Page 1) |
| INTEREST IN THE LAND | Schedule A (Exhibit A) |
| DESCRIPTION OF THE LAND | on the following page |
| EXCEPTIONS - PART ONE | Schedule B (inside) |
| EXCEPTIONS - PART TWO | Schedule B (inside) |
| REQUIREMENTS (Standard) | on the third page |
| REQUIREMENTS (Continued) | Requirements (inside) |
| CONDITIONS | on the third page |

YOU SHOULD READ THE COMMITMENT VERY CAREFULLY

AGREEMENT TO ISSUE POLICY

We agree to issue a policy to you according to the terms of this Commitment. When we show the policy amount and your name as the proposed insured in Schedule A, this Commitment becomes effective as of the date shown in Schedule A.

If the Requirements shown in this Commitment have not been met within six months after the Commitment Date, our obligation under this Commitment will end. Also, our obligation under this Commitment will end when the Policy is issued and then our obligation to you will be under the Policy.

Our obligation under the Commitment is limited by the following:

The Provisions in Schedule A
The Requirements
The Exceptions in Schedule B - Parts 1 and 2
The Conditions

This Commitment is not valid without SCHEDULE A and Parts 1 and 2 of SCHEDULE B.

SCHEDULE B - EXCEPTIONS

Part One of Schedule B will be eliminated from any A.L.T.A. Extended Coverage Policy, A.L.T.A. Plain Language Policy, A.L.T.A. Homeowner's Policy, A.L.T.A. Expanded Coverage Residential Loan Policy and any short form versions thereof. However, the same or similar exception may be made in Schedule B of those policies in conformity with Schedule B, Part Two of this Commitment.

Part One: (for use with 2006 ALTA policies)

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the Public Records but which could be ascertained by an inspection of the Land or by making inquiry of persons in possession of the Land
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water; whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.

Part One: (for use with 1992 and prior ALTA policies)

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.

Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.

2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.

3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.

4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.

5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water; whether or not the aforementioned matters excepted are shown by the public records.

6. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.

**REQUIREMENTS
(Standard)**

The following requirements must be met:

- (a) Pay the agreed amounts for the interest in the land and/or the mortgage to be insured.**
- (b) Pay us the premiums, fees and charges for the policy.**
- (c) Documents satisfactory to us creating the interest in the land and/or the mortgage to be insured must be signed, delivered and recorded.**
- (d) You must tell us in writing the name of anyone not referred to in this commitment who will get interest in the land or who will make a loan on the land. We may then make additional requirements or exceptions.**

(Continued on Requirements Page)

CONDITIONS

1. DEFINITIONS

- (a) "Mortgage" means mortgage, deed of trust or other security instrument.**
- (b) "Public Records" means title records that give constructive notice of matters affecting the title according to the state law where the land is located.**

2. LATER DEFECTS

The Exceptions in Schedule B may be amended to show any defects, liens or encumbrances that appear for the first time in the public records or are created or attached between the Commitment Date and the date on which all of the Requirements are met. We shall have no liability to you because of this amendment.

3. EXISTING DEFECTS

If any defects, liens or encumbrances existing at Commitment Date are not shown in Schedule B, we may amend Schedule B to show them. If we do amend Schedule B to show these defects, liens or encumbrances, we shall be liable to you according to Paragraph 4 below unless you knew of this information and did not tell us about it in writing.

4. LIMITATION OF OUR LIABILITY

Our only obligation is to issue to you the Policy referred to in this Commitment, when you have met its Requirements. If we have any liability to you for any loss you incur because of an error in this Commitment, our liability will be limited to your actual loss caused by your relying on this Commitment when you acted in good faith to:

comply with the Requirements

or

eliminate with our written consent any Exceptions shown in Schedule B

We shall not be liable for more than the Amount shown in Schedule A of this Commitment and our liability is subject to the terms of the Policy form to be issued to you.

5. CLAIMS MUST BE BASED ON THIS COMMITMENT

Any claims, whether or not based on negligence, which you may have against us concerning the title to the land must be based on this Commitment and is subject to its terms

Note: The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than the certain dollar amount set forth in any applicable arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. If you desire to review the terms of the policy, including any arbitration clause that may be included, contact the office that issued this Commitment or Report to obtain a sample of the policy jacket for the policy that is to be issued in connection with your transaction.



Privacy Policy Notice

PURPOSE OF THIS NOTICE

Title V of the Gramm-Leach-Bliley Act (GLBA) generally prohibits any financial institution, directly or through its affiliates, from sharing nonpublic personal information about you with a non-affiliated third party unless the institution provides you with a notice of its privacy policies and practices, such as the type of information that it collects about you and the categories of persons or entities to whom it may be disclosed. In compliance with the GLBA we are providing you with this document, which notifies you of the privacy policies and practices of Clear Title of Arizona.

- We may collect nonpublic personal information about from the following sources:
- Information we receive from you, such as on applications or other forms.
- Information about your transactions we secure from our files and/or any public records search thereof, or from our affiliates or others.
- Information we receive from a consumer-reporting agency.
- Information, that we receive from others involved in your transaction, such as the real estate agent or lender.

Unless it is specifically stated otherwise in an amended Privacy Policy Notice, no additional nonpublic personal information will be collected about you. We may disclose any of the above information that we collect about our customers or former customers to our affiliates or to nonaffiliated third parties as permitted by law. We also may disclose this information about our customers or former customers to the following types of nonaffiliated companies that perform marketing services on our behalf or with whom we have joint marketing agreements:

- Financial service providers such as companies engaged in banking consumer finance securities and insurance.
- Non-financial companies such as envelope stuffers and other fulfillment service providers.

WE DO NOT DISCLOSE ANY NONPUBLIC PERSONAL INFORMATION ABOUT YOU WITH ANYONE FOR ANY PURPOSE THAT IS NOT SPECIFICALLY PERMITTED BY LAW.

We restrict access to nonpublic personal information about you to those employees who need to know that information in order to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.



First American Title

Privacy Information

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our subsidiaries we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information that you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

Information Obtained Through Our Web Site

First American Financial Corporation is sensitive to privacy issues on the Internet. We believe it is important you know how we treat the information about you we receive on the Internet.

In general, you can visit First American or its affiliates' Web sites on the World Wide Web without telling us who you are or revealing any information about yourself. Our Web servers collect the domain names, not the e-mail addresses, of visitors. This information is aggregated to measure the number of visits, average time spent on the site, pages viewed and similar information. First American uses this information to measure the use of our site and to develop ideas to improve the content of our site.

There are times, however, when we may need information from you, such as your name and email address. When information is needed, we will use our best efforts to let you know at the time of collection how we will use the personal information. Usually, the personal information we collect is used only by us to respond to your inquiry, process an order or allow you to access specific account/profile information. If you choose to share any personal information with us, we will only use it in accordance with the policies outlined above.

Business Relationships

First American Financial Corporation's site and its affiliates' sites may contain links to other Web sites. While we try to link only to sites that share our high standards and respect for privacy, we are not responsible for the content or the privacy practices employed by other sites.

Cookies

Some of First American's Web sites may make use of "cookie" technology to measure site activity and to customize information to your personal tastes. A cookie is an element of data that a Web site can send to your browser, which may then store the cookie on your hard drive.

FirstAm.com uses stored cookies. The goal of this technology is to better serve you when visiting our site, save you time when you are here and to provide you with a more meaningful and productive Web site experience.

Fair Information Values

Fairness We consider consumer expectations about their privacy in all our businesses. We only offer products and services that assure a favorable balance between consumer benefits and consumer privacy.

Public Record We believe that an open public record creates significant value for society, enhances consumer choice and creates consumer opportunity. We actively support an open public record and emphasize its importance and contribution to our economy.

Use We believe we should behave responsibly when we use information about a consumer in our business. We will obey the laws governing the collection, use and dissemination of data.

Accuracy We will take reasonable steps to help assure the accuracy of the data we collect, use and disseminate. Where possible, we will take reasonable steps to correct inaccurate information. When, as with the public record, we cannot correct inaccurate information, we will take all reasonable steps to assist consumers in identifying the source of the erroneous data so that the consumer can secure the required corrections.

Education We endeavor to educate the users of our products and services, our employees and others in our industry about the importance of consumer privacy. We will instruct our employees on our fair information values and on the responsible collection and use of data. We will encourage others in our industry to collect and use information in a responsible manner.

Security We will maintain appropriate facilities and systems to protect against unauthorized access to and corruption of the data we maintain.

Form 50-PRIVACY (9/1/10)

Page 1 of 1

Privacy Information (2001-2010 First American Financial Corporation)

Clear Title Agency of Arizona, LLC

SCHEDULE A

ESCROW/CLOSING INQUIRIES should be directed to your Escrow Officer: **Carol Rieger** at **(480)278-8484**

Address Reference:

**2007 North Scottsdale Road, 2003 North Scottsdale Road, 2001 North Scottsdale Road, 7242 East Palm Lane
Scottsdale, AZ 85257**

Effective Date: **August 28, 2018** at 7:30 a.m.

1. Policy or (Policies) to be issued:

ALTA 2006 Standard Owner's Policy for \$10,150,000.00

Proposed Insured:

The City of Scottsdale, a municipal corporation

2. The estate or interest in the land described or referred to in this commitment and covered herein is fee simple and title thereto is at the effective date hereof vested in:

Palm Lane Partners, LLC, an Arizona limited liability company

3. Title to the estate or interest in the land upon issuance of the policy shall be vested in:

The City of Scottsdale, a municipal corporation

4. The land referred to in this Commitment is located in Maricopa County, AZ and is described as:

SEE EXHIBIT "A" ATTACHED HEREIN

Title officer: Shari Rohrich @ (480)278-8405

Pages 1 through 6 of this document consist of the Title Insurance Commitment contract and our Privacy Policy.

EXHIBIT "A"

PARCEL NO. 1:

THE WEST 355 FEET OF THE SOUTH 100 FEET OF THE NORTH 350 FEET OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 35, TOWNSHIP 2 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;

EXCEPT THE WEST 65 FEET THEREOF FOR ROADWAY;

ALSO EXCEPTING THEREFROM ALL COAL, OIL, GAS AND OTHER MINERAL DEPOSITS AS RESERVED IN THE PATENT RECORDED IN DOCKET 547, PAGE 362.

PARCEL NO. 2:

THE WEST 355 FEET OF THE SOUTH 150 FEET OF THE NORTH 500 FEET OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 35, TOWNSHIP 2 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;

EXCEPT THE WEST 65 FEET THEREOF FOR ROADWAY;

ALSO EXCEPTING THEREFROM ALL COAL, OIL, GAS AND OTHER MINERAL DEPOSITS AS RESERVED IN THE PATENT RECORDED IN DOCKET 547, PAGE 362.

PARCEL NO. 3:

THE WEST 355 FEET OF THE SOUTH 44.9 FEET OF THE NORTH 544.9 FEET OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 35, TOWNSHIP 2 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;

EXCEPT THE WEST 65 FEET THEREOF FOR ROADWAY;

ALSO EXCEPTING THEREFROM ALL COAL, OIL, GAS AND OTHER MINERAL DEPOSITS AS RESERVED IN THE PATENT RECORDED IN DOCKET 547, PAGE 362.

PARCEL NO. 4:

THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 35, TOWNSHIP 2 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;

EXCEPT THE SOUTH 100 FEET OF THE WEST 435.6 FEET;

AND EXCEPT THE EAST 579.49 FEET MORE OR LESS;

AND EXCEPT THE NORTH 544.9 FEET OF THE WEST 355 FEET;

AND EXCEPT THE SOUTH 30 FEET FOR ROADWAY;

AND EXCEPT THE WEST 1.00 FOOT OF THE EAST 25.00 FEET OF THE WEST 460.60 FEET OF THE

NORTH 70.00 FEET OF THE SOUTH 100.00 FEET OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 35, TOWNSHIP 2 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;

AND EXCEPT BEGINNING AT A POINT THAT LIES 435.60 FEET EAST OF THE WEST LINE AND 100 FEET NORTH OF THE SOUTH LINE OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 35, TOWNSHIP 2 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA; THENCE SOUTH $89^{\circ}35'24''$ WEST PARALLEL WITH AND 100.00 FEET NORTH OF SAID SOUTH LINE 60.60 FEET TO A POINT THAT LIES 375.00 FEET EAST OF SAID WEST LINE; THENCE NORTH PARALLEL WITH AND 375.00 FEET EAST OF SAID WEST LINE 0.64 FEET; THENCE SOUTH $89^{\circ}48'24''$ EAST 60.60 FEET TO THE POINT OF BEGINNING.

ALSO EXCEPT THE WEST 40 FEET OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 35, TOWNSHIP 2 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

AND EXCEPTING THEREFROM ALL COAL, OIL, GAS AND OTHER MINERAL DEPOSITS AS RESERVED IN THE PATENT RECORDED IN DOCKET 547, PAGE 362.

Clear Title Agency of Arizona, LLC

SCHEDULE B

PART TWO:

1. Taxes for the full year of 2018.
(The first half is due October 1, 2018 and is delinquent November 1, 2018. The second half is due March 1, 2019 and is delinquent May 1, 2019.)
2. The assessments imposed upon said land by reason of: (a) inclusion thereof within the boundaries of the Salt River Project Agricultural Improvement and Power District; (b) membership of the owner thereof in the Salt River Valley Water Users' Association, an Arizona corporation and (c) the terms of any Water Right Application made under the reclamation laws of the United States for the purpose of obtaining water rights for said land. (All assessments due and payable are paid.)
3. Reservations or Exceptions in Patents, or in Acts authorizing the issuance thereof.
4. An easement for public utilities and incidental purposes, recorded as Docket 1851, Page 146.

(Affects Parcel No. 4)
5. An easement for public utilities and incidental purposes, recorded as Docket 4358, Page 391.

(Affects Parcel No. 4)
6. An easement for public utilities and incidental purposes, recorded as Docket 5284, Page 396.

(Affects All Parcels)
7. An easement for roads and incidental purposes, recorded as Docket 5329, Page 557.

(Affects All Parcels)
8. An easement for public utilities and incidental purposes, recorded as Docket 5901, Page 142.

(Affects Parcel Nos. 1 and 2)
9. An easement for road and incidental purposes, recorded as Docket 11029, Page 723.

(Affects Parcel No. 4)

A document entitled "Notice", recorded March 20, 1986 as 86-132947 of Official Records.
10. The fact that the land lies within the boundaries of the Los Arcos Redevelopment Project Area, as disclosed by the document recorded June 29, 2010 as 2010-0549775 of Official Records.

(Affects Parcel Nos. 1, 2 and 3)

11. The effect of resolutions adopting Lower Indian Bend Wash Area Drainage Master Plan and any Amendments thereto for the purpose of acquiring lands in advance for rights-of-way, recorded May 30, 2018 as 2018-0412708 of Official Records.
12. Any claim that the Title is subject to a trust or lien created under The Perishable Agricultural Commodities Act, 1930 (7 U.S.C. §§499a, et seq.) or the Packers and Stockyards Act (7 U.S.C. §§181 et seq.) or under similar state laws.
13. Water rights, claims or title to water, whether or not shown by the public records.

End of Schedule B

Clear Title Agency of Arizona, LLC

REQUIREMENTS:

1. Compliance with A.R.S. 11-480 relative to all documents to be recorded in connection herewith. See note at end of this section for details.
2. All of 2017 taxes are paid in full.

NOTE: Taxes are assessed in the total amount of \$4,469.34 for the year 2017 under Assessor's Parcel No. 131-19-002K 6.

(Affects Parcel No. 3)

NOTE: Taxes are assessed in the total amount of \$10,002.36 for the year 2017 under Assessor's Parcel No. 131-19-002L 5.

(Affects Parcel No. 2)

NOTE: Taxes are assessed in the total amount of \$6,782.88 for the year 2017 under Assessor's Parcel No. 131-19-002U 4.

(Affects Parcel No. 1)

NOTE: Taxes are assessed in the total amount of \$3,319.82 for the year 2017 under Assessor's Parcel No. 131-19-002V 3.

(Affects Parcel No. 4)

3. Furnish a copy of the Articles of Organization, stamped "filed" by the Arizona Corporation Commission; a fully executed copy of the Operating Agreement, and any amendments thereto; and a list of the current members of Palm Lane Partners, LLC, a limited liability company.
4. Note change in description of the within described property. Have same approved by all parties to this transaction.
5. Record Warranty Deed from Palm Lane Partners, LLC, an Arizona limited liability company to Buyer(s).

NOTE: If this will be other than a Cash Transaction, notify the title department prior to close and additional requirements will be made.

6. Such further requirements as may be necessary after completion of the above.

NOTE: In connection with Arizona Revised Statutes 11-480, as of January 1, 1991, the County Recorder may not accept documents for recording that do not comply with the following:

- a. Print must be ten-point type or larger.

- b. A margin of two inches at the top of the first page for recording and return address information and margins of one-half inch along other borders of every page.
 - c. Each instrument shall be no larger than 8-1/2 inches in width and 14 inches in length.
- 1. Return to title department for final recheck before recording.

NOTE: According to the public records, which under the recording laws impart constructive notice as to the title to the land described herein, the following matters constitute the chain of title for the 24 month period preceding the date hereof

OR

the last recorded instrument vesting title to the land described herein:

The map attached, if any, may or may not be a survey of the land depicted hereon. Clear Title Agency of Arizona, LLC expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

End of Requirements